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China Report

ECONOMIC AFFAIRS

No. 67



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NATIONAL ECONOMIC POLICY

ROLE OF WORKERS' CONGRESSES INCREASING IN PRC

OW090754 Beijing XINHUA in English 0747 GMT 9 Jun 80

[Text] Beijing, 9 Jun (XINHUA)--Chinese workers now have a bigger say in factory affairs than ever before.

Workers' congresses, with deputies chosen directly by workers themselves, have been established in an increasing number of Chinese enterprises.

The workers' congresses have the right to decide how to use the production development funds, the workers' welfare funds and bonus funds in enterprises.

The congresses, the main form of exercising democratic rights by workers in China, discuss a wide range of subjects--from production plans, welfare, managerial matters to family planning--and make suggestions. When the congresses are not in session, the trade union committees elected exercise their power.

At the recent congress held in the Wuhan Iron and Steel Complex with a total work force of 100,000 people, the deputies submitted 2,500 proposals. Special groups were formed under the managers to study and handle them.

Eight hundred and forty-two proposals concentrated on improving production management, including distribution of raw materials, measurements, transportation organization, fuel economy and financial affairs.

A plan on how to dispose of the welfare funds was adopted at the congress. With 3,000 to 4,000 housing units put up last year, the complex decided to spend 15 million yuan more on new housing units, clinics, nurseries, schools, recreation rooms, canteens and bath-houses this year.

In some factories, trade union committees are authorized by the workers to sign contracts with the management on fulfillment of production assignments. An example is provided by a shipyard in Chongqing (Chungking) in southwest China. Under a contract, the engineers and workers pledged to complete the construction of a ship on schedule and the management was to pay 3,000 yuan as a bonus. An extra 150 yuan was offered if the assignment was finished one day ahead of schedule.

NATIONAL ECONOMIC POLICY

'BEIJING REVIEW' ON REFORM OF ECONOMIC STRUCTURE

OWO50758 Beijing XINHUA in English 0741 GMT 4 Jun 80

[Text] Beijing, 5 Jun (XINHUA)--The current issue of the English weekly BEIJING REVIEW carries an investigation report on the initial reform of China's economic structure by Lin Zili, who late last year investigated enterprises which were granted more power of self-management in Sichuan, Anhui and Zhejiang provinces.

The article says the number of enterprises given more power of self-management increased from six in October 1978 to 300 this year in Sichuan Province. Anhui Province had 80 enterprises involved and in Zhejiang 74 started introducing the new system in the last quarter of 1979.

These enterprises now can arrange for production of part of their products over and above the state quota and produce according to the needs of the market. For instance, the Dujiang Machinery Plant in Sichuan last year put out a detailed catalogue of its electric saws, planers and milling machines and sent it to prospective buyers all over the country. Its production capacity was brought into fully play as the plant received orders from customers after fulfilling the state quota, which was below its capacity.

The article says such enterprises have more say in the supply of equipment, raw and semi-finished materials, fuel and power and the marketing of their products. Formerly all these things were done strictly by the state.

The Zhongnan Rubber Plant in Chongqing itself negotiated the purchase of 30 per cent of its raw material last year with enterprises in other provinces. The profits it made by the end of the year were double the amount planned.

The Chongqing Iron and Steel Works last year sold one fourth of its products at floating prices a little bit lower than state prices in the absence of intermediate links.

In distribution, the article says, formerly all the income of an enterprise was handed over to the state, while all its expenditures were covered by

state revenue, including expanded production, wages and bonuses. Now the workers' wages and bonuses are deducted from the enterprise's income, and the net profit is divided between the state and the enterprise according to a certain proportion. To gain more profit, an enterprise has to increase output, improve quality, lower costs and accelerate turnover.

Competition naturally arises. At a fair held last October in Sichuan, various plants displayed their motors, generators and other electrical machinery. Unreasonably high prices for products of inferior quality had to be cut down. Some plants dared not display their products because of poorer quality and high prices. They had to study how to improve quality and lower costs.

The article stresses that the new-type of commodity economy now forming in the country is neither capitalist nor small-commodity production. It excludes labour power from the concept of commodity and its competition is different from that under capitalism. This is because the competition is not among capitalists but between enterprises which are allied bodies of labourers. Competition is for the collective interests of the labourers, not for grabbing the biggest possible surplus value of the private owners of an enterprise. As planning can exert a degree of regulatory influence, competition is limited.

CSO: 4020

NATIONAL ECONOMIC POLICY

'TIANJIN RIBAO' STRESSES IMPORTANCE OF ECONOMIC WORK

HK110228 Tianjin TIANJIN RIBAO in Chinese 26 May 80 p 1

[Article by commentator: "Get a Tight and Relentless Grasp of Economic Work"]

[Text] To get a tight and relentless grasp of economic work is an important issue that we should always pay attention to this year and for a considerable period in the future.

Since the 3d Plenum of the 11th Central Committee, there have been remarkable changes in the face of Tianjin. The basic reason for the change is that all the cadres and the masses have seriously implemented the political line laid down by the party Central Committee that we should of one heart and one mind in building the four modernizations and a strong socialist country, and have got a light and relentless grasp of economic work. However, the results we have scored are still not too satisfactory. If we investigate the reasons, we find that the basic reasons are that we have not grasped economic work resolutely and relentlessly.

The key to whether we grasp economic work resolutely and relentlessly lies in whether we have deeply understood the great significance of promoting economic work. During the years of war, how much attention was paid to military work by all the cadres of our party. All members of the party were concentrated and deeply engrossed in paying attention to military affairs and studying warfare. Many comrades were originally common workers, peasants, or intellectuals. However, after several years' practice and study, they became outstanding military commanders. To study warfare was the cardinal task of CCP committees at all levels; other tasks centered on and followed this task. Every cadre was prepared to go to the front at any time. Those who stayed at the rear were conscientiously serving the front. Countless excellent party members gave their lives for the work of liberation. Why were we all of one heart at that time? It was because in the face of a great enemy, if military work is not done well, then we will lost the battle and our foothold. Now, whether or not our party is vigorous and prosperous, our state is prosperous and strong, and the people support

the party all depends on whether we do well in economic work. At present the urge to grasp economic work well is not less than the urge to grasp military work during the war years. We may as well think for a moment: Why do the hegemonists practice tyranny and have their way everywhere? It is because they count on their prosperous economy, and abundant strength. Why are so many weak and small countries and nations exploited by imperialists and hegemonists? Economic and military backwardness is an indispensable reason. To be backward is to be defeated. This has been proved both by history and the present.

Since the beginning of this year, all the cadres and the masses have seriously studied the important report of Comrade Deng Xiaoping, "The Current Situation and Tasks." Summing up last year's experience, we have gained deeper understanding of the important meaning behind the task of grasping economic work, and we have firmer confidence in carrying out China's socialist modernization. This is the main current. However, we should also notice that it is not an easy job to solve the problem of understanding this important principle. It demands a great deal of hard and painstaking work, as well as considerable time. The course of the past 30 years can fully illustrate this. The party several times proposed putting economic work as the central work of the whole party, and achieved considerable results. However, we also became imprudent several times in the face of achievements, and hit at economic work by means of unsuitable political movements. Today, we must learn the lesson from history, and keep clear heads in the face of achievements. We must not choose the past crooked way, stir up big troubles or hit at the central task, building the four modernizations.

This year, the tasks in front of us are very arduous. A municipal people's congress and party congress will be held this year. CCP committees at all levels should organize all the party members to study and discuss matters in light of the "several guiding principles of inner-party political life" adopted by the 5th Plenum of the 11th Central Committee. They should also discuss revising the draft of the party constitution. Alongside with this, we should seriously do well the work of completing the rehabilitation of victims of miscarriages of justice and implementing policy. We should complete on schedule the task of wage readjustment. The demands of all these tasks are generally relatively specific, and the time allowance is very tight, thus they easily draw people's attention. However, economic work is what we should work on year by year, month by month and day by day. If there is slight negligence, gradually we will get used to old practice and adopt a perfunctory attitude, or even squeeze aside economic work for some temporary central task. To prevent this from happening, leaders at all levels should relentlessly grasp economic construction--the central task--with single-hearted devotion and undivided attention, and avoid delaying even one day in doing well in economic construction. We should make appropriate arrangements for overall work, and solve the internal division of labour among the leadership groups in order to ensure that the major energy of the principal leading comrades at all levels is concentrated on economic work. As for specific arrangement, other work should be organically integrated with the task of doing well in economic work, and serve economic work.

Over a long period of time, some leading comrades like to use impractical slogans and pompous methods to mobilize the masses. They are not used to doing a great amount of painstaking, meticulous and concrete organization work. From practice it is evident that using pompous methods to lead economic work is impracticable. Even though they grasp it, they do not grasp it firmly, and this is the same as not grasping it. What we are now engaged in is not individual handicraft production, but highly-socialized great production. The characteristic that all departments and all cardinal links restrain each other is very significant, and the factors that affect production are also very complicated. To be a good leader, one should study this characteristic and these factors and adopt effective measures, so that there will be incessant development of production. It is impossible to carry out strong and forceful leadership over economic work if we are satisfied with the present situation, enjoy comforts, are afraid of hardship and stand high above the masses. There are some comrades who pay relatively more attention to growth rate, but neglect the economic effects. When asked about the growth rate compared to last year, last month or last fortnight they are exultant. However, when asked about the quality, consumption, labour productivity, or interest rates, they are stupefied. We should not continue this method of grasping economic work.

To relentlessly grasp economic work does not mean grasping the whole business all at once, we should grasp those production links which greatly influence the whole situation, and grasp the major contradictions. At present, to implement the eight-character principle in our municipality, grasping the cardinal link of readjustment is extremely essential. Last year, we did a great deal of work in this aspect, and achieved significant effects. However, some units and departments still do not have a concrete Plan. The orientation of products is not clear, and production is not on the right track. How can we allow such a situation to exist? A 3-year readjustment time is brief. If we do not grasp it firmly, it will pass in a flash. If we miss this precious opportunity, we will create no end of trouble for economic work in the 1980's. We must not treat this lightly.

In order to grasp economic work well it is essential for the leading comrades at all levels to grasp firmly the opportunity of learning professional knowledge. "Nonprofessionals leading experts" can only lead in principle. Today while we are grasping economic work, we should not be satisfied with being nonprofessionals. Now, some comrades are not unwilling to grasp economic work, they are willing to grasp it, but they are not familiar with it and are afraid that they will miss the great points for the sake of some trivialities. Therefore they can only scratch the surface; actually they cannot solve any problems. In the early period of liberation, quite a lot of comrades in our party responded to the call of the Second Plenum of the Seventh Central Committee, launched a study movement to suit the needs of urban work, and achieved certain results and effects. In the past 30 years, world science and technology has developed in leaps and bounds. Our original knowledge is far from meeting the needs of modernized production. In particular, during the 10 years Cultural Revolution, a lot of cadres

had to stand aside under persecution by Lin Biao and the gang of four, and those who were familiar with production were no longer familiar. Therefore, it is not essential to whip up a new study movement. In this study movement, we should all strive to be models.

The party Central Committee has pointed out several times that the general task and policy are defined. To do well the building of the four modernizations, we must particularly promote economic work in the next few years. What Tianjin looks like in future all depends on how we work. Procrastination, anticipation, and waiting will only let slip the precious time for achieving the four modernizations. Under the guidance of the party's general task and policy, leading comrades at all levels should get rid of all inhibitions, and boldly start work. The party Central Committee supports us, and the masses also support us.

CSO: 4006

NATIONAL ECONOMIC POLICY

PRC ECONOMIC JOURNAL ON READJUSTMENT AND ENLIVENING THE ECONOMY

HK131330 Beijing JINGJI GUANLI No 4 in Chinese 15 Apr 80 pp 5-10

[Article by Chen Jinhua [7115 6930 5478]: "Do a Good Job in Readjustment and Enliven the Economy"--slantlines denote boldface type]

[Text] At present, the situation in the whole country is very good. This is mainly due to the fact that the whole party, from the top level to the lowest levels, is resolutely implementing the spirit of the third plenum of the party Central Committee, that a political situation of stability, unity and liveliness has developed and that the main effort of the party committee at various levels has been gradually diverted to economic work. Readjustment work has been launched step by step. In particular, the strengthening of agriculture and the implementation of various policies of the party toward the countryside has brought about stability among the peasants who constitute the most important sector in our country. The effects and role of this will be more and more prominently revealed. Through discussions about taking practice as the criterion for testing the truth, the vast numbers of cadres and masses have freed themselves from old ideas. They are taking active measures to alter the long-existing rigid state of affairs caused by the "ultraleftist" line and do a good job of economic work and enliven it. Over the past year or so various fronts in Shanghai have continued to advance amid readjustment and new progress has been made.

1. Many new ways have been opened up, large numbers of people who have left school have been assigned jobs, and stability and unity have been promoted. In 1979, some 250,000 people who left school were permitted to return to Shanghai in compliance with the policies. When these were added to the students who graduated in the past few years, some 450,000 people needed to be assigned to jobs. Through the efforts of various parties, by November last year 400,000 people had been assigned jobs. This number was half of the total number of employed workers in Shanghai at the time of its liberation. The last time the national economy was readjusted, more than 300,000 persons were made redundant in Shanghai. However, during the current readjustment a million persons must be assigned jobs. The two readjustments are vastly different in this respect. After many years training in the countryside the vast number of people who left school have a good ideological foundation. Because of the great attention paid by the whole party and the appropriate arrangements, a considerable portion of them have begun to become the new blood on various fronts.

2. The suburban areas and the countryside have conscientiously implemented the two documents of the party Central Committee on the development of agricultural production. The vast numbers of cadres and commune members have "jubilantly carried out production and opened up new ways of creating wealth with no fear of becoming well off." Last year the summer grain output exceeded the highest level in the past, and the early rice yield for the first time surpassed the target set by the national program for agricultural development in only one crop. The nine categories of principal agricultural and sidelines products are grain, cotton, oils, pigs, cattle, poultry, eggs, vegetables and fish. In the last year the output of all of them except cotton and aquatic products exceeded the best levels in the past. It is estimated that the quantities of pigs, poultry and eggs supplied to the market increased by over 40 percent compared with 1978.

3. Industrial production has enjoyed sustained growth. Compared with the same period in 1978, in January to November, 1979 the cumulative growth rate was 8.3 percent. The planned target of an 8 percent growth rate for the whole year could be overfulfilled. The development of light industry has been speeded up as readjustment progressed. Compared with the same period in 1978, in January to October 1979, light industry grew by 8.7 percent while heavy industry grew by 7.9 percent. The export trade has expanded. Compared with the same period in 1978, the total value of export commodities purchased by the state increased by 34.2 percent. By the end of November 1979, the whole municipality's cumulative local fiscal revenue, less increased expenditures due to the implementation of policies and less allowances for factors like price drops and exemptions from taxation, increased by around 8 percent compared to the same period in 1978 if the same standard for measurement is used. This rate was basically the same as growth rate for industrial production.

4. The scale of capital construction has been diminished, the proportions of investments have been readjusted and the effectiveness of investment has been improved. In 1979, after readjustment, the overall scale of capital construction contracted by 8.2 percent compared to the scale planned early in 1979. The volume of building construction decreased by 25 percent and 6.8 percent respectively compared to the volume and area planned early in 1979. The construction of 191 items had been terminated or postponed.

In the readjusted capital construction program, the proportion of industrial investment in the overall investment dropped from the general figure of two-thirds in the past to 33.9 percent in 1979. The investments inside industry have also been substantially readjusted. The investments in branches of heavy industry like machinery, chemical industry and military goods were reduced by 56 percent, a 35.4 percent over 1978. The investment in electric power generation increased by 79 percent, and building materials by 64 percent. By the end of November, the proportion of accomplished items in capital construction investment was 44 percent higher than in the same period in 1978.

5. Economic management has been reformed and special emphasis has been placed on grasping experimentation in increasing the power of the enterprises to act on their own. In the whole municipality, 106 enterprises and 6 companies are already undergoing experimentation. Recently the leading comrades of the State Council have permitted the metallurgy and textile industries to retain a part of their profits. Thus the experiment aimed at reforming the whole industry has been started. In the process of experimenting on expanding the power of the enterprise to act on their own, attention is paid to the achievements in running the enterprises, and the enthusiasm of the workers and the masses is further mobilized. This produces the conspicuous effect of promoting the development of production and increases in exports and fiscal accumulation.

6. The people's livelihood has enjoyed improvement based on the development of production. In 1979, each peasant in the suburban counties on the average received an additional income of over 20 yuan from the collective because of the development in production and the rise in the prices of agricultural and sideline products. The livelihood of the workers in the municipality has been improved. The problems that the masses generally felt concerned about, namely the problems of employment for those who had left school, the supply of nonstaple food and wages and rewards, have been solved to some extent, and the general reaction of the people has been good. Between January and October 1979, the savings of all the residents of the municipality increased by over 600 million yuan. In that period the turnover of social commodities from retail trade was 24.6 percent higher than in the same period in 1978.

These facts show that the principles laid down at the third plenum of the party Central Committee and the second session of the Fifth NPC are correct and the overall situation is fine. The whole party has accumulated new experiences after shifting the focus of its work. The readjustment work has had a good start. Of course, we still have many problems and difficulties. In particular some problems have developed to a stage where we just continue to work hard to solve them, like the problems of employment for those who have left school, population growth, housing for the residents and the treatment of waste gas, water and industrial residue as well as some prominent problems in municipal construction. We must face up to the difficulties, problems and defects in our work and continue to carry out the readjustment work in a down-to-earth manner.

Below we will discuss in particular some events as well as some understanding and tentative ideas concerning the launching in depth of the campaign to increase production and practice economy, the enlivening of economic work and the raising of the economic management standard.

I. Closely Integrate Planned Adjustment With Market Adjustment and Fully Bring the Role of Market Adjustment Into Play

The socialist economy is a planned economy. The overall national economic activities must definitely be carried out under the guidance of unified

our country's population is large, its economy is backward and its development is extremely unbalanced. Under such conditions if the economic activities of the whole society are to be planned in great detail and to follow a single channel and a single method, the actual results will not be good. For a long time in the past, owing to the influence of the "ultraleftist" line, the cadres and the masses have thought that the planned economy was perfect. They were scared at the mere mention of the role of the market, and thought that to go in for market adjustment was tantamount to practicing capitalism and revisionism. In 1979, guided by the spirit of the third plenum of the party Central Committee, the comrades of the economic front enthusiastically joined the discussions on the issue concerning the criterion of truth. They linked their discussions to the reality and freed themselves from the fetters of those rules and regulations formed over many years. They studied new situations, tried to solve new problems and integrated the planned economy with market adjustment. They made market adjustment an important part of the planned economy and directed productive and management activities through re-adjustment to a foundation more compatible with society's needs.

First of all the industrial sector freed itself from the traditional practice that the production and marketing of the means of production could only be planned and assigned by the state. The comrades of the industrial sector got down from their high horse. They no longer "sat in the office authoritatively" and "passively waited for buyers to come to the factory." They actively went outside to serve the consumers and deliver goods to them. For example, the Xinjian Machinery Factory under the First Machinery and Electrical Products Bureau was originally a machine making plant specializing mainly in producing equipment for the chemical industry. In early 1979, the scheduled tasks assigned by the state took up only half of its productive capacity. The people at the factory got over their habit of "waiting," "finding things difficult" and "worrying." They actively stepped out of the factory and took a survey in many provinces and municipalities. They discovered that the 3,400 or more small cement works in the whole country mostly used "primitive kilns," did not possess complete sets of equipment, lacked spare parts and fittings, and suffered from low productivity, poor product quality and high fuel consumption. They took the initiative to propose turning the primitive kilns into mechanically operated shaft kilns so that the output could be increased by 60 to 100 percent, the product quality could be stabilized at around grade number 500, coal consumption could be reduced by 20 to 30 percent, pollution could be reduced and labor intensity could be lowered. After striving to obtain orders from various sources, this factory now has a relatively substantial number of tasks and conditions have been created for developing production this year and the next. The First Machinery and Electric Power Bureau has grasped this example and popularized its experience within the whole trade. Many enterprises have thus pushed forward to open up new prospects. Paper-making machinery plants have helped transform paper making factories while food-processing machinery plants have helped transform various categories of food processing factories. They have integrated themselves with consumers and scientific research units

and supplied equipment, fittings and designs to them. This has been welcomed by all trades and professions. The First Machinery and Electrical Products Bureau summed up the experiences, and on the basis of this it called on the machinery industry to cater to light industry, agriculture and the export trade, and to act as the technological service, technological reform and technological equipment supplies departments of the old factories in various industries, that is, to help them tap potentials, bring about innovations and transform themselves.

The commodities departments have also broken with old convention. They organized various forms of exhibitions and marketing fairs. Those machinery and electrical products which were in excess of the planned output and remained overstocked for a long time were offered to the market for consumers to purchase directly. The production service company of the commodities bureau organized three exhibition and marketing fairs in 1979 and signed over 27,000 contracts involving a total sum of over 100 million yuan. Now it has established a permanent exchange market which caters to Shanghai and the whole country. This market offers more than a several hundred million sources of goods when business is at its peak, and is welcomed by production, scientific research and teaching units.

In the process of bringing the role of market adjustment into play, industry and the commercial sector must be closely coordinated and must support each other. The active role of the commercial departments must be given great attention. The thread and ribbon industry company has adopted the system of "unity of industry and commerce" in cooperation with commercial knitwear distribution centers. Apart from organizing production, the company carries out the functions of a primary commercial distribution center. It directly carries out purchasing and marketing businesses with more than 300 secondary and tertiary distribution centers in the whole country. In early 1979, its output of products for domestic sale decreased by 22 percent. In June, it tried the "unity of industry and commerce" system. In 4 months its output increased by 18 percent compared to the same period in 1978. By the end of October, its total output began to surpass the output in the same period of the previous year. While the role of the commercial departments as a link in the circulation of goods is being brought into play, the industrial departments also established their own marketing and retail departments and attempted to sell new products and products not in the planned schedules. Presently, over 20 industrial companies in the whole municipality have established retail and managing departments. Some have even set up retail departments or distribution outlets in other localities. These have become the "eyes" and "ears" of the industrial departments. They get to know market trends in time, directly listen to the consumers' opinions and create conditions for improving product quality. In addition, they open up new production and marketing channels, widen the market and promote production.

While exploiting the role of market adjustment, we have also increased regional coordination, organized the processing of materials sent here from other localities and sometimes even adopted the method of floating prices

to sell overstocked products and secure materials and raw materials that we lacked. We have enlivened production and commodities distribution work. When the light industry bureau calculated the balance of production and raw materials and other materials, alcohol was short in supply by one quarter and mirabilite by one-fifth. Through accepting incoming materials for processing and expanding the coordinated exchange of commodities, they managed to get 3,000 ton of alcohol, 8,000 ton of syrup, 2,500 ton of mirabilite and 1,600 ton of barium sulfate. Thus the development of production was supported.

Judging from the practice in 1979, to bring the role of market adjustment into play while relying principally on planning is more suited to our country's current economic situation, is conducive to doing readjustment work well and is beneficial to the promotion of the four modernizations. We tentatively propose that, while guaranteed state planning is taken as the prerequisite, the parties concerned can give support to and practice the following few methods so that further new experience may be gained.

1. Supply of materials and raw materials to the state planned industrial sector as well as the distribution of this sector's products can be taken care of by the departments concerned of the state. The supply of materials and raw materials to the locally planned industrial sector and that industrial sector serving market adjustment needs, as well as the marketing and sale of these sectors' products, can be taken care of by the localities or enterprises. Agencies that assign planned schedules to lower levels should take charge of supply, production and marketing and also accept the supervision of the responsible economic departments.

2. A portion of those materials and raw materials subject to the state's unified plan and distribution may be directly supplied to the market so that the enterprises and consumers can purchase them directly. For example, a portion of the more than 10 million ton of overstocked steel in the whole country may be taken out for the enterprises and communes to purchase directly so that its distribution does not involve any planned targets. This may yield faster and better results than if there is planning at all levels and administration work at each link.

3. Readjust product prices actively and in a planned way, and gradually alter the situation in which product prices and product values differ vastly. The localities or enterprises should be given the power to vary within certain limits the prices of goods, except those means of livelihood vital to the national economy and the people's livelihood, according to supply and demand conditions. Among those goods whose price may be barred, the means of livelihood may be controlled more strictly to avoid market price fluctuations as far as possible. The means of production may be controlled less strictly. Their prices may vary within an appropriately wider range.

II. Actively Increase Exports and Enliven External Trade

To enliven the economy, it is also necessary to have the world market in mind and apply the role of market adjustment to various links in foreign trade. We feel that Shanghai has many problems. If we do not grasp this work well, the progress, level and speed of our country's four modernizations will inevitably be affected. In 1979, we mainly grasped the following few things.

First, we conscientiously implemented the "Summary of the Forum on the Export Work in Beijing, Tianjin and Shanghai Municipalities," issued by the State Council. With our work linked to the reality in Shanghai, we carried out various specific policies and measures pertinent to the reform of the external trade system and decided on the export tasks for this year and the next. Currently, Shanghai has 8,000 factories and 1,700 of them produce export products. The municipal party committee has put forward that after 3 years of readjustment, the number of factories producing export goods should increase to 2,500. The "Summary" stipulates that in the coming few years the state purchase of export commodities from Shanghai should increase an average annual rate of over 20 percent. We believe that we can successively strive to reach this target if we solve the problems of those export stimulating policies concerning prices, taxation, assessment, rewards, settling of accounts and remittances.

Second, the production and construction of the light and textile industries was well grasped. The role of these industries as the main force in exports continued to be brought into play. Over 80 percent of Shanghai's exported industrial products depended on light industry, the textile industry and the handicraft industry. If exports are to increase in the near future, effort must continue to be devoted to these three industries and various supportive measures must be taken. We have decided that first, the needs of the light and textile industries will be given preferential consideration in the allocation of fuel, electric power and coal gas. Second, funds needed by the light, textile and handicraft industries for developing production must be actively arranged for through various channels. In 1979, the state allotted a capital construction investment of more than 53 million yuan to the light industry bureau, the textile industry bureau and the handicraft industry bureau. We have also made available over 310 million yuan to support the productive capacity development of the light, textile and handicraft industries through various channels such as export loans, medium size and small scale technological facilities loans, measures for transforming the three wastes, local appropriations and so on. Third, the metallurgical, chemical, machinery and electronic industries must give the "green light" to help the development of the light, textile and handicraft industries and actively provide new materials, raw materials and technological equipment.

Third, we altered the composition of export products. We worked actively and in a planned way to direct the products of the metallurgical, chemical, machinery, electronic and shipmaking industries into the world market. In 1979, the total value of the state purchases of export goods from Shanghai's

various heavy industry bureaus was 39 percent more than in 1978. We anticipate that the proportion of exported goods in the heavy industrial products will increase from the original figure of 13 percent to around 20 percent within the 3-year readjustment period.

Fourth, we vigorously adopted general practices of international trade. Using our country's special feature of having an abundant labor force, we developed the processing of incoming foreign materials and compensation trade. In 1979, the whole municipality secured over 600 contracts for processing incoming foreign materials. The income from this source for the whole year is estimated to be U.S.\$26 million. There were 60 compensation trade transactions which led to the import of various kinds of equipment worth U.S.\$24 million, and when the equipment goes into production it will yield commodities to be sold back to the foreign countries worth over U.S.\$90 million a year. The direct economic income from processing incoming foreign materials and compensation trade is not high. However, these undertakings can help provide employment, introduce advanced foreign technology and enterprise management experiences, bring us international market information as well as promote our gradual change from processing incoming materials to processing imported materials so that we can widen and enliven our export outlets. Judging from the items we are currently working on, the benefits are numerous. In particular, new industries like the electronic products industry must fully exploit these channels. The development of the electronic industry must be strengthened and promoted by importing foreign things. In addition, we are still negotiating with foreign firms on a number of important joint ventures.

Fifth, we vigorously developed the tourist trade. Between January and October 1979, some 750,000 foreign guests and tourists visited Shanghai. This figure was 210,000 more than for the same period in 1978. The foreign currency receipts arising from nontrade sources like tourism, remittances from overseas Chinese, advertising, the friendship stores, refuelling of foreign ships and so on, probably totalled U.S.\$260 million in the whole year, representing a growth of 36 percent over 1978.

To boost foreign trade further, we think that we must resolutely implement the spirit of the summary of the forum on export work in Beijing, Tianjin and Shanghai municipalities. We must enliven the foreign trade system and our policies and business management. The problem of assessing those enterprises producing export goods and the problem of retaining a part of their foreign exchange earnings must be studied and solved as soon as possible. The total value of the state purchases of Shanghai's export commodities increased from 4.4 billion yuan in 1978 to 5.8 billion yuan in 1979. The growth rate was over 30 percent but the local fiscal revenue decreased by 160 million yuan because of the increase in exports. What is more important, the enterprises have earned less profits, the factories' enterprise funds and bonus rates have diminished, and the enthusiasm in expanding exports has been affected. We believe that the problems of various policies that support and encourage exports must be solved as soon as possible to accelerate the development of the export trade.

III. Vigorously Grasp the Management and Economic Use of Energy; Try All Means To Reduce the Consumption of Various Materials and Persist in Bringing About Increases in Production Through Thrift

The prominent problem of Shanghai's industrial production is the shortage in the supply of electric power, fuels and certain categories of materials and raw materials. The state and fraternal provinces, municipalities and autonomous regions have given us staunch support. Apart from this we must focus our own attention on thrift. We should strive for increases in production as well as speed through thrift. In 1979, we mainly did four things to economize.

First, we mobilized the masses, strengthened economic accounting and meticulously entered every detail into the accounts. Second, the planned supply of energy was practiced on a full scale. Third, we conscientiously popularized new techniques for saving energy. Fourth, we conducted a survey on the use of thermal energy.

Through the above efforts, marked successes have been achieved in increasing output, economizing and reducing consumption, with saving energy as the focus. From January to October 1979, the whole municipality's industrial output was 8.1 percent higher than in the same period for 1978, but the industrial electric power consumption increased by only 3.5 percent and the coal supply decreased by 1 percent. It is estimated that in the whole year 400 million kilowatt hours of electric power, 600,000 tons of coal, 110,000 tons of coke and 130,000 tons of fuel oil were saved.

In this year's economizing work we must further devote our efforts to improving management and technology and lift our save-energy work to a new level. We put forward the following targets: Stress one focus, grasp two improvements, speed up three things and fight four tough battles well.

/One Focus/ This means taking save-energy as the focus to promote the economizing of other materials and raw materials and to induce all trades and professions to economize in an overall manner. In particular the saving and comprehensive utilization of timber must be grasped well. We must conscientiously learn from the advanced experiences of fraternal localities like Hangzhou and try all means to raise the utilization ratio of timber. We must maintain the sustained growth of industrial production.

/Two Improvements/ One is to improve the standard of energy management and to widely establish and perfect the save-energy management system. The other is to improve the utilization level of residue heat and strive to raise Shanghai's energy utilization efficiency to around 35 percent within 2 or 3 years.

/Speeding Up Three Things/ First, speed up the conversion of oil burning furnaces into coal or coke burning ones. Second, speed up the construction of electric power generating equipment that uses residue heat, and strive

to build up a capacity of 100,000 kilowatts within 3 years. Third, speed up the construction of category 1 boiler rooms, and strive to enable the 4,000 boilers in the whole municipality to attain the category 1 standard in saving coal, safety and dust removal.

/Fight Four Tough Battles Well/ First, the tough battle in applying far-infrared radiation to medium-temperature heating in the region of 600 to 1,000 degrees must be fought well. The whole municipality has about 2,500 sets of such equipment and their electric power consumption is 130,000 kilowatts. If this battle is well fought 100 million kilowatt hours of electric power can be saved per year. Second, the tough battle of popularizing the use of perlite and aluminum silicate in furnaces and kilns for heat insulation must be fought well. This may generally save energy by over 10 percent. Third, the tough battle of popularizing the use of horizontal flame burners must be well fought. This can help save oil and coal gas by about 20 percent. Fourth, the tough battle for attaining new national and international levels in energy consumption for a single group of products must be well fought. In particular, the metallurgical and chemical products industries which have high energy consumption rates should achieved conspicuous progress in this respect.

IV. Continuously Reorganize Industry and Readjust the Production Orientation According to Social Needs

The planned schedules assigned to the lower levels early in 1979 reflected, for one thing, that many products suffered from poor sales and overstocking, and for another thing, that many products were in short supply. While studying production, we feel that in an economically backward country like ours with a large demand for goods, the so-called "excessive supply" of many industrial products is just a phenomenon. The essence of the problem lies in the low technological standard, poor product quality and unsatisfactory product varieties. Many products are "old faces" and "old forms" which have remained unchanged for 1 or 2 decades. This situation shows that Shanghai's industrial production needs to be readjusted. Products in short supply, which have high quality, new varieties, satisfactory and marketable both in domestic and overseas markets, and are needed by the state, must be quickly produced in larger quantities. Only then can we radically solve the problem of inadequate production tasks for the enterprises. Only then can we achieve the overall objective of raising the output level as well as the technological and management standards of Shanghai's industry in the course of readjustment.

The textile industry is vigorously striving to enable the quality of its products attain or surpass advanced world standards and to upgrade its products. It has determined that 28 categories of products are to attain or surpass advanced world standards in this year. Currently 20 categories, including printed silk fabric, fine woolen knitwear and cashmere sweaters, have attained the advanced world standards for the same categories and their power to earning foreign exchange through exports has increased by 20 to 60 percent.

As early as in late 1978, the handicraft industry bureau analyzed the disequilibrium between production and marketing that might occur in 1979. It was discovered then that the output of 129 categories out of the 428 categories of products of the whole industry exceeded their sales. Some 56 percent of the factories had inadequate production tasks. To alter this situation, they proposed to persist in the principle of "attaching supreme importance to quality and newness." They took the rapid development of new products and the raising of product quality as their focal tasks. They grasped the creation of designs, trial manufacture, exhibition and marketing and group process planning of new products. Because these four links had been grasped, output increased and economic activities were enlivened. In February 1979, the trend of falling output began to be reversed. Since then output has increased every month. In 1979, output was more than 6 percent higher than in 1978.

According to statistics for the later part of 1979, by grasping variety and quality, the light, textile and handicraft industries successfully manufactured over 17,000 new products and varieties. This figure was 61 percent higher than that for the same period in 1978.

While grasping the development of new varieties, various bureaus have also based themselves on the state's overall readjustment needs and reorganized industry and the enterprises in conjunction with the readjustment of product orientation. They have used their strengths to offset their weaknesses and actively developed those varieties which were in short supply and urgently needed by the state and the market.

First, the factories under ownership by the whole people have been reorganized according to the principle of specialization. For example, according to the conditions of oversupply or undersupply of its products, the thread and ribbon company has reduced its 42 plants to 24 through reduction of scale, reorganization of combination, and has strengthened the capabilities of producing products in short supply. Thus the falling trend of output has been turned into a rising one. A lot of work has also been done by the tennis shoes main factory of the rubber industry, the compressor trade of the machinery industry, the color knitting trade of the textile industry, the electronic industry and so on. Currently, over 80 factories in the whole municipality have undergone reduction of scale, reorganization or combination.

Second, the constraint of the system of ownership has been broken through. Enterprises "jointly set up by the state and the collective" or "jointly run by different collectives" have been run on a trial basis. State run enterprises, which are the main body, have combined with enterprises run by the collective. Their strengths have been used to offset their weaknesses. They have boosted those products in short supply through the rational organization of social productive forces. For example, the cultural and educational industrial company under the handicraft industry bureau has combined and paired up six state run factories with seven collective factories. It has readjusted the orientation of production of 35 products. It has abandoned

the production of some products suffering from poor sales like certain lathes, lathe chucks and drills. It has expanded its ability to produce products in short supply such as harmonicas, tennis balls, skates, paints and so on. According to statistics, comparing the output in January to October 1979, with that in the same period in 1978, the output of pencil sharpeners increased by 75 percent, tennis balls by 14.4 percent and harmonicas by 19 percent.

Third, production work is extended and partially transferred to lower levels. The role of the industries in the communes, the production teams, the farms and the neighborhoods has been fully brought into play. In early 1979 exported garments were greatly needed. The municipal clothing industry company linked itself to the communes, employing their factory buildings, human resources and funds, and rapidly expanded five factories which then went into production. In Jiading, 237 new workers at the shirt factory in Tanghang learned as they carried out production. By the end of October 1979, they had produced 150,000 shirts for the domestic market and 70,000 shirts for export. By the end of October, the shirt factory in Maqiao had produced 76,000 garments for the domestic market and 94,000 for export. These factories helped satisfy the needs of export and domestic markets in good time.

V. Expand the Enterprises' Power To Act on Their Own; Do a Good Job of Restructuring the Reward System and Enliven the Production and Management at the Basic Levels

Expanding the power of the enterprises to undertake running and management on their own is the foundation for restructuring the economic management system, arousing the enthusiasm of the workers and staff of the enterprises, and enlivening economic work. In the process of conducting tests at 106 factories and 6 industrial companies in the municipality, we emphasized the close integration of the interests of the state, the locality, the enterprise and the individual. The work concerning man, money, materials, supply, production and marketing was comprehensively strengthened. Attention was paid to the achievement of the highest possible economic efficiency. When the metallurgy and textile bureaus made experiments, they first made sure that the state's revenue would be increased in the first place. On the basis of this, the old bases and old enterprises exploited their own strengths and the whole industries worked to tap potentials, bring about innovations and transform themselves. Thus the modernization of the existing enterprises was promoted.

In the experimentation in expanding the power of the enterprises to act on their own, we have felt that the socialist distribution principle of paying according to work done and higher pay for more work must be adhered to and the reward system must be well structured. On the basis of summing up the experiences in 1978, many factories in Shanghai have since 1979, paid attention to combining the payment of bonuses with the results of managing the enterprise as well as linking the use of the bonuses to the contribution of the workers and staff. In particular, the trial payment of bonuses for saving fuel, electric power and some materials and raw materials

in short supply has yielded relatively marked results. For example, 11 small chemical fertilizer factories in Shanghai have been giving rewards for saving coal and electric power. In January to October 1979, some 163,000 tons of coal, 41 million kilowatt hours of electric power and 3,700 tons of oil were saved. Bonuses totalling 610,000 yuan were paid to the workers and staff. This sum was about 6 percent of the value of the resources saved. The profits of these factories in January to October totalled 9.32 million yuan, representing an increase of 3.8 times that of the same period in 1978. The metallurgical system actively tried paying bonuses for saving oil, electric power and coke. It has been estimated that in the whole year the value of resources saved was around 89 million yuan, but 5.45 million yuan were paid out as bonuses, which was about 6.1 percent of the total value saved.

These methods of giving rewards have certain defects. Many ideological and practical problems still exist. In some units the problems of practicing "egalitarianism" and indiscriminate distribution of bonuses have not yet been solved. Despite this, we believe that a rational reward system basically gives expression to this principle from each according to his ability, to each according to his work, higher pay for more work done and offering rewards to the advanced. This can help overcome the tendencies of egalitarianism and "excessive collectivism." The bonus rate should be determined according to the state's current economic conditions. We must proceed from the overall situation, integrate mental encouragement with material rewards, conscientiously reinforce ideological and political work and prevent undesirable tendencies. Presently many factories determine their bonuses according to the extent of achieving the output quota and various technological and economic targets. They have replaced "rewards based on appraisal" with "regards on the basis of calculations." This is a better method. We think that the labor wage departments should further sum up the experiences and continuously perfect the bonus system so that its role can be brought into play and it can become an important means of enlivening economic work.

We have based ourselves on the principle set down at the third plenum of the party Central Committee, and have come to understand through our practice that there are wide prospects for freeing ourselves from old ideas, taking active measures and enlivening economic work. We have so far done very little work and we may not have done everything correctly. But we believe that if we stick to the principle that practice is the sole criterion for testing truth, continue to practice, continuously sum up our experiences and make improvements step by step, then we can definitely enliven economic work and further push forward the campaign to increase production and practice economy. We can then make new contributions to the state in doing a good job of economic readjustment and accomplish and even overfulfill the national economic plans for this year and the next.

GENERAL ECONOMIC INFORMATION

'GONGREN RIBAO' COMMENTARY SUPPORTS CREATIVITY

OWO40738 Beijing XINHUA in English 0713 GMT 4 Jun 80

[Text] Beijing, 4 Jun (XINHUA)—"Support for Workers' Creative Initiative Is an Important Task of the Trade Unions" is the title of the frontpage commentary in today's WORKERS' DAILY.

"Trade unions should be good at discerning and supporting creative undertakings in their embryonic stage," the commentary says.

In other words, it continues, trade unions should "inspire, support and organize" the workers in inventing and technical renovations. At the same time, they must be good at summing up the experience of advanced workers for wider application.

Without timely and vigorous support, the commentary warns, many new inventions would be given up half way before they are completed and many potential talents stifled.

This is because the workers often have to overcome many difficulties in developing their inventions, due to their own limitations as well as to bureaucracy on the part of some leaders.

Also on the frontpage of today's WORKERS' DAILY is a report about how the Inner-Mongolian Federation of Trade Unions helped a lathe turner write a book on metal cutting.

Feng Wanzeng, 38, had only a junior middle-school education. His book, based on the experience of his own and many others, will come off the press soon.

He was struggling with difficulties while writing the book when the Inner-Mongolian Federation of Trade Unions lent him a helping hand by providing him with material and financial assistance and opportunities to exchange experience.

CSO: 4020

GENERAL ECONOMIC INFORMATION

ABUSES OF 'TRIAL USE' CRITICIZED

Tianjin TIANJIN RIBAO in Chinese 20 May 80 p 1

[Article by the Preparation Group, Committee for the Inspection of Discipline, Municipal Party Committee: "Taking State Property for 'Trial Use' Is Illegal"]

[Text] During the 10 years of the Great Cultural Revolution, the despicable group comprised of Lin Biao and the gang of four not only made a mess of things on the political, ideological, economic, military, cultural and educational fronts, they also seriously sabotaged the style and discipline of our party and social customs. The endless pursuit of personal pleasure, rapaciousness, seeking gain everywhere, hoisting the flag of "trial use" to take whatever valuable things they pleased as if these things belonged to them...such was the vile trend they started. Since the fall of the gang of four, the trend has gradually diminished, but their pernicious influence still abounds. Recently, according to what is understood by the concerned departments of this city, rough figures from 10 plants subsidiary to the First Light Industry Bureau, Second Light Industry Bureau and Second Bureau of Machine Building show that up to March of this year the following "trial use" goods have been used free-of-charge for long periods of time by individuals or units, and have still not been returned: 81 color or black-and-white television sets; 62 electric fans of various models; 25 cameras of various makes; more than 1,000 wristwatches of various types, and more than 1,550 lighters, a gross value of more than 126,600 yuan. Of these state-owned goods which have been usurped, some have been taken free or purchased at a discount from production units by concerned personnel or units under the guise of "trial use." Some of the goods have been given as presents or sold at a discount to higher-ups by the responsible personnel of a unit, using the guise of "trial use" or "to check it out" to ingratiate themselves while taking advantage of the nation's generosity. Some of the goods have been given to related units as presents from the production units, and some of them are goods which were first presented to someone by the unit for "trial use," then subsequently given free or sold at a discount to the masses of their own unit in order to keep them quiet. This vile trend also exists in varying degrees in some other bureaus.

It is necessary and normal for each enterprise unit to send an appropriate amount of a new product to evaluating agencies to carry out technical appraisals. However, using the pretext of "trial use" to get state goods for free or at a discount, especially such high-grade goods as televisions, watches, electric fans, cameras, etc., has absolutely nothing to do with the practice of evaluating things. This kind of "trial use" represents the failure to distinguish between public and private, enriching oneself at society's expense, or turning public property into one's own. It is bribery, corruption, and larceny in disguise! If we fail to resolutely stamp out this vile trend, in the days to come when new and high-grade goods become more and more plentiful, the losses to the state will become greater and greater. This will not only lead to greater dissatisfaction among the masses and hinder stability and unity, it will even result in some cadres being corrupted and ruined!

Stamping out the vile "trial use" trend is necessary if we are to continue the present job of restoring order. From now on we should strictly forbid any party member or leading cadre to use "trial use" or any other pretext or approach to directly or indirectly obtain free of charge or purchase at a discount state goods for an individual or small group. Things that have been obtained this way should be returned, paid for, or have restitution made immediately. Every party member and worker has a responsibility to resist and report any action of this sort. Anyone making retaliatory attacks against the reporting individual will be subject to disciplinary measures by the party.

When new products require evaluation, they must be sent to the proper evaluating agencies in keeping with state regulations. No enterprise, unit, or organization may use the pretext of "trial use," or any other pretext, to give any cadre or organization "trial goods" or discounted goods.

As for goods which are used for exhibitions and appraisals, the unit in charge must adhere strictly to the rules. At the conclusion of exhibitions or appraisals, the unit in charge must adhere to the rules in returning the goods to the original unit or turning them over to the proper units, to be disposed of in keeping with the regulations. Those goods which are sold after being exhibited should be sold publicly, or marketed publicly on a trial basis, at the price as fixed by the state. The units in charge may not use any pretext for long-term use or private disposition of the goods.

Cooperation between various enterprises, between enterprises owned wholly by the people and those owned collectively, between various regions, and the cooperation between enterprises and service organizations and management agencies, is a normal relationship under the socialist system, and the task of enthusiastically carrying out such cooperation is the responsibility that every concerned unit should do its utmost to fulfill. Anyone who, for either his own private interests or the interests of his unit, exacts goods from a unit requesting cooperation, and who if not satisfied deliberately causes difficulties or refuses, or who creates pretexts to

shirk his duty to cooperate, or when cooperating with concerned units takes it upon himself to make "gifts" in disguise to the other party, etc, is guilty of giving or receiving bribes, which must be absolutely prohibited.

With regard to state-owned goods taken in the past under the pretext of "trial use," every concerned unit should carry out a conscientious accounting, clarifying where the goods have gone and making a good effort to have them all returned. Discipline inspection units at all levels of the party should, under the leadership of the party committee, from now on carry out strict policies commensurate with past leniency. From now on they should conscientiously pursue their responsibilities with regard to party members and cadres who violate the above stipulations, dealing with the cases seriously and carrying out disciplinary measures. Criminal violations will be handled according to the law.

CSO: 4006

GENERAL ECONOMIC INFORMATION

ARTICLES, BOOKS ON ECONOMY TO BE PUBLISHED BY JILIN

Beijing GUANGMING RIBAO in Chinese 14 Mar 80 p 2

[Report: "Jilin Publishing House To Publish Economic Works"]

[Text] In order to meet the needs of the four modernizations, the Jilin People's Publishing House plans to continuously publish and make available to readers a number of theoretical and knowledgeable economic articles or books in 15 categories in the near future. Among them will be a work by Guang Mengjue [7070 1125 6030] entitled: "Some Problems Concerning Expansion of Socialist Production" (Revised Edition); an article by Sun Jien [1327 0256] entitled: "Economic History of the People's Republic of China"; a work by Sun Jingwei [1327 4842 4885] entitled: "An Outline of China's Economic History Over the Past Century"; an article by Sun Shangqing [1327 1424 3237], Chen Jiyuan [7113 0679 0337], and Zhang Zhuoyuan [1728 0587 0337] entitled: "The Relationship Between Socialist Economic Planning and Marketing"; an article by Gao Ronggui [7559 2837 6311] entitled: "The Founding of Marxist Political Economy"; an article by Xiao Liang [2556 0081], Guo Dongluo [6753 0392 2867], and Jia Lurang [6328 1462 6245] entitled: "On China's Four Modernizations"; and an article by Hu Houjun [5170 0624 6874] and Wang Cainan [3769 2088 2809] entitled: "On the Modernization of Commerce."

Furthermore, an article by Li Dongbai [2621 0392 2672] and Xiao Mingzhong [5135 3046 6850] entitled: "The Flourishing Romanian Economy"; and an article by Ren Wenxia [0117 2429 0204] and Sun Bangji [1327 6721 1015] entitled: "Japanese Management of Industrial Enterprises" will be published in July or August this year.

These works will present these countries' experiences in carrying out economic reforms and improving economic systems and economic management in coordination with our country's efforts to reform its economic management system. "The Socialist Aspect of the Political Economy," which has been recommended by the Ministry of Education as a textbook for institutions of higher learning throughout the country, will also be published and circulated in July or August.

GENERAL ECONOMIC INFORMATION

BRIEFS

SHANGHAI PNEUMATIC STRUCTURE--Shanghai, 6 Jun--Shanghai has recently made a pneumatic air bag structure 27 meters long, 15.4 meters wide and 7.7 meters high. The largest ever produced in China, it will be used as a pavilion in the Shanghai Exhibition Hall. The rectangular air house is made of nylon plastic sheet and kept in shape by two blowers which constantly puff in and circulate air. There is no pillar or any supporting device inside the structure while its outer surface is rubber-coated with white, cream and orange coloured stripes, making it more durable and pleasant in appearance. The pneumatic structure offers a makeshift shelter to house exhibitions, a hospital, meetings, sports games, refugees in natural disasters and the like. It is economical, easy to carry and erect. The air bag structure was jointly produced by the theoretical study section on construction planning of the Tongji University Department of Architecture and the Shanghai No 2 Rubber Plant. [OW961245 Beijing XINHUA in English 0722 GMT 6 Jun 80]

CSO: 4020

FINANCE AND BANKING

PRC ECONOMIC JOURNAL ON PROSPECTS FOR U.S. DOLLAR

HK161701 Beijing SHIJIE JINGJI No 5 in Chinese 10 May 80 pp 9-12

[Article by Tang Yunhong [0781 0062 7703]: "The Prospects for the U.S. Dollar"]

[Text] The position of the U.S. dollar turned from strong to weak after World War II and particularly during the 1970's. The crisis of the U.S. dollar has occurred many times and the dollar has continued to weaken. The end of the 1970's witnessed spiraling increases in gold prices and a drop in the dollar exchange rates, pushing the international monetary market into panic and chaos. After we entered the 1980's, the prospects for the dollar have become a matter of concern.

I. The Position of the U.S. Dollar Changed Tremendously in the 1970's

Following the weakening of U.S. political and economic power, the worsening of its international revenue and expenditures and the constant occurrence of U.S. dollar crises, the monetary system of the capitalist world that was established after World War II with the U.S. dollar as its base came under severe pressure. After the dollar was devalued on two occasions (in 1971 and 1973), the U.S. Government ended the free exchange of the dollar with gold and after the major capitalist countries took measures to float the exchange rates of their currencies, the capitalist world's monetary system gradually collapsed.

After the floating of the exchange rates until 1976, the drop in the U.S. dollar exchange rates was manifested by the huge U.S. foreign trade deficit and high prices that weakened the position of the dollar. This can be seen in the following figures on the exchange rates for the U.S. dollar.

Diagram 1 The Trend of the Decline of the U.S. Dollar Exchange Rates

Year	Special Drawing Right of the Exchange of the U.S. Dollar [Average annual figure]
1971	0.99702
1972	0.92105
1973	0.83883

1974	0.83150
1975	0.82362
1976	0.86616
1977	0.85652
1978	0.79872
1979	0.77704 (Note 1)

(Note 1) Average figures for January - March.

(Extract from International Monetary Statistics published by the International Monetary Fund, May 1979).

When President Carter took office in 1977, he was faced with economic difficulties. He internationally carried out the policy of lowering the exchange rate of the dollar in a bid to stimulate exports and press Japan and West Germany to cut down the surplus of their international revenues and expenditures. As a result, the exchange rates for the dollar dropped drastically in 1977 and 1978 and the position of the dollar further weakened. At the same time, gold prices that were calculated in U.S. dollars also spiralled upward. Western countries, which were seriously affected by the big drop in the exchange rate of the U.S. dollar and the floating of exchange rates, were dissatisfied and urged the U.S. Government to halt the slide of the dollar. At the same time, these countries were studying ways to deal with the situation and protect their own interests. Major West European countries decided to establish the European monetary system. As a result of this situation, the U.S. Administration was compelled to change its dollar policy. In 1977, it carried out the policy of intentionally lowering the exchange rate of the dollar. But in early 1978 it changed the policy to supporting the dollar. However, this new policy still failed to stop the dollar from sliding. In addition, West European countries and Japan strongly opposed this policy while the dollar was constantly hit by the world monetary market. The U.S. Administration was then compelled to take a package measure on 1 November 1978 to save the dollar. This measure included an allocation of US\$30 billion from the exchange fund to intervene in the market, increase interest rates and auction off more gold. It had a certain impact on the monetary market while the exchange rate of the dollar began to rebound after 1 November. The exchange rate of the U.S. dollar began to stabilize after 1979. But the basic factors that caused the sliding of the dollar were not resolved and it was difficult for the dollar to maintain stability for a long period. Eventually, the exchange rate of the dollar dropped again after mid-September mainly because of the rise of inflation in the United States increases in oil prices and the strained relations between the United States and Iran. The central banks of various countries dispersed their reserve assets in a bid to cut down the ration of the dollar. At the same time, people lost confidence in paper money while those who held dollars were rushing for gold. This caused a further drop in the dollar exchange rate. By the end of December, gold prices increased more wildly while the exchange rate of the U.S. dollar slid even more sharply.

Thus the position of the U.S. dollar fluctuated and changed sharply during the 1970's. This situation stemmed from unstable political and economic developments in the Western capitalist countries, the weakening of U.S. economic power, worsening inflation, constant increases in oil prices, deficits in international revenues and expenditures and an unstable international political and economic situation. The exchange rate of the U.S. dollar continued to slide throughout the 1970's. Compared with the situation in the early 1970's, the exchange rate of the dollar by the end of the 1970's dropped by 64 percent against the Swiss franc, 53 percent against the West German mark, 33 percent against the Japanese yen and 28 percent against the French franc; it increased by 8 percent only against the British pound.

II. The Prospects for the U.S. Dollar in the 1980's

What will be the prospects for the U.S. dollar in the 1980's? We must first of all analyze the major factors that influence the position of the U.S. dollar.

First, we must look at the U.S. economy and the trend of inflation. The U.S. economy will grow slowly in the early 1980's. The organization for economic cooperation and development estimated that the economic growth rate of its member countries will drop from 3.25 percent in 1979 to 1 percent, that the United States is likely to plunge into a crisis and that its economic growth rate will drop by 1.25 percent instead of rising. It also predicted that inflation in Western countries will continue to develop this year. Inflation will continue to be the biggest challenge to the United States. President Carter said this January when he was delivering annual budget report to the congress: "Inflation is our biggest economic problem." "The inflation rate in our country has been increasing for 15 years and years of constant efforts are needed to lower it." The devaluation of the U.S. dollar and the measures taken by oil producing countries to increase oil prices have resulted in the increase of U.S. import and it is difficult for the United States to lower inflation. Inflation and price increases have weakened the actual purchasing power of the U.S. dollar. In fact the purchasing power of the dollar has been turning from had to worsen since World War II. For example, U.S.\$1 of purchasing power in 1945 is now equivalent to 24 cents. (U.S. NEWS AND WORLD REPORT, 29 October 1979) The drop in the dollar's purchasing power in the United States and the drop of the dollar exchange rate abroad have shaken the people's confidence in the dollar. Because of the intense international political situation, the United States will continue to have huge military expenditures and the U.S. Administration has decided to increase its military budget over 5 years starting from the fiscal years 1981. In addition, the U.S. Administration must increase expenditures to stimulate its stagnant economy. Therefore, it will carry out an inflationary policy and maintain a huge financial deficit. The continued weakening of the U.S. dollar will become a major factor if inflation in the United States gets worse.

Second, let us look at the situation of the U.S. foreign trade deficit. U.S. foreign trade enjoyed a surplus for quite a long period prior to the 1970's. This partially made up for the deficit in its international revenues and expenditures. But since 1971, when its foreign trade experienced a deficit for the first time, most of years saw a deficit (with the exception of a surplus in 1975). The figure for the deficit in 1979 was lower than that in 1978, but still the deficit in 1979 was as high as U.S.\$24.6 billion. The world's economic development will generally stagnate in the 1980's, the trend toward protectionism in foreign trade will further develop while increases in oil prices will increase expenditures for imports. These factors will bring great difficulties for U.S. policy in promoting exports and limiting imports. It will be difficult for the United States to change the situation of its foreign trade deficit. Such factors are unfavorable for an improvement in the position of the U.S. dollar.

Third, let us look at the trend of oil prices and revenue from oil. The increases in oil prices and in revenue from oil have had a wide impact on the world economy and finances. Oil prices increased by as much as 10 fold during the 1970's and the income of the member countries of the Organization of Petroleum Exporting Countries increased tremendously. These countries have a huge surplus of U.S. dollars every year. Their income has increased even more over the past few years. It is estimated that the surplus in the revenue and expenditures of these countries will jump to U.S.\$59 billion in 1980 (see diagram 2).

Diagram 2 The OPEC Surplus Fund in 1973-1980 as Calculated According to Market Prices (100 million U.S. dollars)

Year	1973	1974	1975	1976	1977	1978	1979	1980
							(1)	(1)
Export volume	420	1,250	1,160	1,400	1,530	1,490	2,070	2,540
Surplus of Revenue and Expenditure	10	610	380	400	330	120	450	490
Accumulated surplus	10	620	1,000	1,400	1,730	1,850	2,300	2,890

(1) predicted figures.

Extract from the reference material issued by the British Research Institute of the National Economy and Society.

Fourth, let us look at the development of the European monetary system. The establishment of the European monetary system has strengthened the position of the West European currencies and played a positive role in stabilizing the exchange rates of the currencies. It has also played a role in stabilizing the U.S. dollar. But from a long term point of view, the strengthening of monetary cooperation among West European countries and the establishment of unified reserves and currency has constituted a force to

contend with the U.S. dollar. Since the members of the European Economic Community have intervened in the foreign exchange market with their own currencies and not with the U.S. dollar, the scope of the use of the dollar will be narrowed down and the share of the U.S. dollar in the foreign exchange reserves of each EEC member country will also decrease. In addition, it has also been decided that the European currency fund must maintain 20 percent in gold and foreign exchange. This measure to a certain degree confirmed the role of gold and is also contradictory to U.S. policy of demonetization of gold. This situation is not favorable to the future of the dollar. It is true that due to the unbalanced situation of economic development, prices, trade and currency power of the West European countries, they will meet with difficulties in maintaining the stability of their exchange rates. (For example, the currencies within the member countries were adjusted on two occasions on 24 September 1979 and 30 November 1979.) But the establishment and development of the comparatively independent European monetary system will have a profound impact on the position of the U.S. dollar.

Fifth, let us look at the development and monitoring of the Eurodollar. The rapid growth of the Eurodollar has a tremendous influence on the U.S. dollar. The total amount of the Eurodollar has grown rapidly since the 1970's because of the deficit in U.S. international revenue and expenditures and the development of the European monetary market. Statistics from the world money market of the Morgan Bank that were issued in December 1979, show that up to the end of September 1979, the total funds of the European money market already reached U.S.\$1,070 trillion and net volume was US\$600 billion. (The share of the U.S. dollar was not announced.) This rate of increase was very high. Trade transactions in the European money market are relatively free and there are no legal restrictions from financial authorities. This situation is favorable for some governments in developing the economy and in making up for financial deficits and for multinational corporations to raise funds from European market. It is also helpful for oil producing countries to recirculate their increasing surplus funds. But such huge resources of international floating capital that are almost without control will constitute a tremendous force on the international money market if there are any disturbances or trouble. They may as well trigger a U.S. dollar crisis, enhance the turbulent monetary situation and weaken the strength of the policies of intervention of various governments with millions in capital and even tens of billions in U.S. dollar. There has been an increasing demand throughout the world over the past few years for control over such a huge money market. Last summer, the experts from the central banks of 10 countries and Switzerland held a regular meeting at the Basel International clearing bank to discuss ways to strengthen the control over the European money market. The experts decided to issue a proposal report in March or April this year. But the European money market is not centralized and the banks concerned belong to different nations with their own interests. Therefore, it is difficult to find a unified and good method to control the market. We must see that it is a complicated and difficult problem. The 34th annual meeting of the International Monetary

Fund held in October 1979 decided to set up a "replacement account" to help stabilize the world money market. However, as of April this year no concrete method had been discussed. It is hard to predict the results of this method.

The continuous increase of the Eurodollar may make those who are holding U.S. dollar try to sell the currency. This will cause further fluctuations in the exchange rate of the dollar and cause tremendous pressure on the position of the dollar.

Sixth, let us look at fluctuations in gold prices. Generally speaking, the trend of gold prices in the 1970's was toward big increases and small decreases. Gold prices have already increased by more than 10 times. The turbulent situation of the Western monetary sector during the 1970's was generally characterized by the fact that when gold prices rose, the exchange rate of the U.S. dollar dropped; when gold prices dropped, the dollar exchange rate rose and when gold prices were stable, the exchange rate of the dollar was also stable. But the situation was not always so. For example, the dollar exchange rate and gold prices both rose in January 1980. This shows that changes in the dollar exchange rate and gold price are not identical. They may at times be out of line with each other. It is because with increasing oil prices and prices for other goods and with the intense international political situation, people have no confidence in currencies. Some central banks and the oil producing countries in the Middle East rushed to buy gold in a bid to disperse their reserves. In private sector, the purchasing of gold has also increased rapidly as a way to preserve value. Speculative activities are rampant and push gold prices even to higher levels.

The foreign exchange market has not experienced any great changes since December 1979. (The representatives from China, the United States, Britain, France, West Germany and Japan held two meetings in January 1980 to discuss ways to deal with the economic and monetary problems of various Western countries, and particularly how to stabilize the foreign exchange market). Changes in the gold market and in the foreign exchange market are not identical, but generally speaking, oil prices are expected to increase further in the 1980's. As a result gold prices will further increase and inflation will worsen. In particular, inflation in Western countries will continue to develop and the world political situations will remain unstable. Because of this situation, increases in gold prices will have a serious effect on the position of the U.S. dollar.

On the basis of this situation, my preliminary view on the prospects for the U.S. dollar in the 1980's is as follows:

First, from the short term point of view, the position of the dollar will continue to fluctuate. But as the U.S. presidential election is approaching this year, the U.S. Administration is likely to take some strong measures to maintain the stability of the dollar. Other Western countries

also do not want to see the dollar fluctuate drastically because it will affect the stability of their currencies. They will support the dollar. The fluctuation of the dollar is expected to be lower than the previous level. The position of the dollar will be more stable, and may even rebound.

Second, from the long term point of view, the position of the dollar will fluctuate more frequently and it will gradually weaken because it is hard to improve the basic factor of the weakening dollar. In particular, the position of the dollar is influenced by inflation in the United States and increases in oil prices.

Third, the above does not mean that the dollar is irremendiable. The U.S. still has strong economic power. The dollar is still a major international reserve currency and clearing currency and it still plays a major role in international economic and monetary sectors. In fact there is no other currency to take the place of the dollar.

Fourth, a new international monetary system is not likely to be established in the 1980's. Currency reserves will still maintain their diversification. Because capitalist economic development is not balanced and the international political situation will remain intense, the international money market will continue to be characterized by turbulence and chaos and the U.S. dollar will continue to be used in exchange for other currencies and in hectic gold purchases.

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FINANCING AND BANKING

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[Article by Guo Hongde [6753 1347 1795], Wang Wending [3769 2429 7844] and Han Shaochu [7281 4801 0443]: "The Reform of Industrial and Commercial Tax Systems Must Be Geared to the Four Modernizations"]

[Text] As the focus of the work of the party and the state is shifted to socialist modernization, China has ushered in a new historical period. In this new period, how will the tax system, as a component part of economic management system, meet the needs of the objective circumstances, be reformed to bring its role into full play and be geared to the four modernizations? This is an important issue which greatly concerns the people and needs further study and exploration.

Tax revenue is a means adopted by the state using its political power to distribute or redistribute the national income. The functions of tax revenue can be summed up in two aspects: One is the financial function and the other economic. The financial function aims at raising funds for the state. However, we must not take tax revenue merely as a tool for earning money and thus completely deny or ignore its economic function. Tax revenue can play a part in the process of distribution and give a push to the development of the national economy. The economy, which is the foundation, plays a decisive role in financial matters and the former is affected by the latter. The relations between economy and finance are those of dialectical unity. Such relations of interaction allow tax revenue to play its positive economic role and make the levying of taxes not only advantageous to accumulating financial funds but also to developing the economy. Therefore, although taxation is a compulsive levy adopted by the state using its political power, this sort of levy cannot be decided as one pleases. The tax system and policy, methods of levies and the amount of tax revenue which are fixed and adopted must be suited to the objective economic situation and the level of economic development and must conform with objective economic law of socialism. In addition, they must be in harmony with the state's economic policy at a give period so that tax revenue is levied properly and rationally.

China's industrial and commercial tax systems were established in 1950 when the tax policy was formulated in a unified way. Then there were 14 categories of taxes. Along with the changes in the political and economic situation in different historical periods, this tax system has undergone three major reforms, namely the amendment of the tax systems in 1953 and the reforms in 1958 and 1973. With the exception of the amendment in 1953, the amalgamation of the categories of taxes and the simplification of the tax system were taken as a basic principle of the reform. Therefore, after the reform was carried out, industrial and commercial tax systems only covered seven categories of taxes--industrial and commercial tax, industrial and commercial income tax, tax on slaughtering animals, urban housing and land tax, licence tax for vehicles and boats, livestock transaction tax and country trade fair tax. Since no taxes are currently imposed on country trade fairs and livestock transactions throughout China and tax levies on slaughtering animals, urban property and licence for vehicles or boats are merely confined to payers who are not enterprises or individuals, there is, in fact, only one category of taxation imposed on the state-owned enterprises, namely the industrial and commercial tax. Two categories of taxation--the industrial and commercial tax and the industrial and commercial income tax--are levied on the enterprises owned by the collective. On the whole, the existing tax system is a unitary one. There are specific reasons for the formation of the unitary tax system, but it is obvious that this simple tax system fails to meet the needs of the new historical period. The main problems are as follows: 1) The existing tax system cannot meet the needs of the complicated situation of the economic structure in the new period and bring into full play the function of tax revenue. 2) It is not coordinated with the requirements for reforming the economic management system and the financial management system and bringing into full play the regulative role of tax revenue to meet the needs of enlarging the autonomy of enterprise. 3) It cannot be adapted to the needs of handling economic affairs by economic means and according to economic law and cannot make use of taxation to influence the process of distribution so as to make the enterprises strengthen their economic accounting, improve their economic management and enlarge their economic results. 4) It fails to meet the needs of developing our economic relations with foreign countries and economic cooperation. It is not suitable for using tax revenue to carry out the principle of equality and mutual benefits and does not safeguard the interests of the state. 5) It is disadvantageous to the state for gaining financial revenue by leaps and bounds and disadvantageous to high-speed development of the productive forces and constantly improving the people's material and cultural life. Therefore, the present industrial and commercial tax system must be reformed to serve the four modernizations.

Then, how will the existing industrial and commercial tax system be reformed and a new one set up? We feel that to make the tax system adapt to the historical mission entrusted by the new period, the structure and layout of the tax system must be adapted to complicated situations of the social and economic structure of the new period; to the commodity production of the

current stage of socialism and to the requirements of the economic and financial policy in the new period. On the basis of handling affairs in accordance with the objective economic law, we must establish a tax system in which many categories of taxation are well integrated and its role as an economic lever is brought into full play so that tax revenue can regulate the profits of enterprises, and their production and consumption in a rational way while participating in the distribution or redistribution of national income. Consideration must be given to the interests of the state, the enterprise and the workers and the staff members to bring into full play the initiative of the enterprise and the workers for production. Funds must be accumulated more rapidly on the basis of high-speed development of production. According to this guiding ideology, we can make the following assumption with regard to the industrial and commercial tax system:

1. Consideration should be given to value added tax to make tax revenue reasonable and to use it to influence the distribution of national income. In addition, it is also advantageous to coordinating the economic interests among the state, the enterprise and the workers and staff.

What is value-added tax? It is a kind of taxation which is levied in accordance with the value created by the respective living labor as a result of the production and management of the enterprise in a given period. As we know, under the condition of commodity production, the value of a product is composed of the following two parts: One is the transfer of value of materialized labor, namely the transfer of value of raw material, spare parts, fuel, power and so on which is consumed during the process of production; the other is an increase in value created by living labor which the enterprise puts in during the process of production. Taxation is imposed in accordance with the amount of appreciation which is gained from the value of products after deducting the value transferred by materialized labor. In fact, such a system makes tax revenue directly influence the distribution of national income. Its main advantages are as follows: First, by applying the system of imposing taxation in accordance with the respective appreciation of the enterprises, we can avoid the problem of repeating tax levies and inequitable payment of taxes which arise as a result of imposing taxes on the basis of the total sales of the enterprises. In so doing, the amount of tax to be paid is reasonable and fair. Take the automobile, for example. According to the existing industrial and commercial tax system which levies taxes based on total sales of the enterprise, if an automobile sells for 30,000 yuan and tax rate 10 percent, the factory which completes the entire process of automobile manufacture should pay 3,000 yuan in taxes. If the car is made through joint cooperation of three different factories, Factory A which produces 10,000 yuan of spare parts will be taxed 1,000 yuan; Factory B which is in charge of processing the spare parts will pay 2,000 yuan of tax after selling the part which cost 20,000 yuan and Factory C which assembles the automobile will pay the tax as much as 3,000 yuan for each car which is sold at the united price of 30,000 yuan. In so doing, according to tax levies based on the volume of sales of the enterprise, the automobile which is produced through joint cooperation, is subject to a total of 60,000 yuan in taxes. That is

to say, the tax payment for each car is 6,000 yuan, or twice as much as the tax payment imposed on the complete production plant. This is unfair. Such a method of collecting taxes is advantageous to the "big and complete" enterprise but disadvantageous to production based on specialization and cooperation. If we apply the system of imposing taxes in accordance with the respective added value of the enterprises, there will be some changes with regard to the amount of taxes paid by the three cooperative factories: Factory A will pay 1,000 yuan in taxes because its sales amounts to 10,000 yuan. B's sales are 20,000 yuan, but after deducting 10,000 yuan, the value added will be 10,000 yuan, therefore the tax to be paid will be 1,000 yuan. C's sales are 30,000 yuan, but after deducting 20,000 yuan, the value added will be 10,000 yuan, therefore the tax to be paid will be 1,000 yuan. The total amount of value added by the three factories will be 30,000 yuan and the tax will be 3,000 yuan. As a result, there will be no difference between this tax and that levied on the complete enterprise. That is to say, by imposing taxes in accordance with the amount of appreciation, the burden of tax revenue cannot vary with the productive structure of the enterprise. Whether it is merged or divided, the amount of tax cannot be increased, nor can it be reduced. Therefore, this system of collecting taxes is fair and reasonable and can be adapted to different situations. Second, to impose appropriate taxes in accordance with the respective appreciation of the enterprises will make all enterprises pay their taxes. As far as using taxation to influence the distribution of national income is concerned, taxes paid in accordance with the amount of value added increase at a steady rate will make the rate and the profits retained by the enterprise also increase at a steady rate. If the enterprise can reduce the consumption of materials and increase the amount of value added, the state will collect a little more in taxes and the enterprise will retain more profits in accordance with their respective percentages. Suppose an enterprise sells a certain product for 100 yuan, the amount of value added is 50 yuan and the tax rate 10 percent. Then the state will take 5 yuan in taxes and the enterprise will keep 45 yuan. If the enterprise can reduce the consumption of materials and increase the amount of value added from 50 yuan to 60 yuan, the state will collect 6 yuan instead of 5 yuan but the enterprise will increase its profit from 45 to 54 yuan. On the contrary, if the amount of value added drops from 50 yuan to 40 yuan, the tax revenue collected by the state will be reduced from 5 yuan to 4 yuan and the enterprise will only get 36 yuan instead of 45 yuan. Thus the interests of the state, the enterprise and the workers and staff are closely linked together. This is not only beneficial to pushing the tax departments concerned to care for the production of the enterprises, but it is also beneficial to bringing into full play the initiative of the enterprises to promote their business management. There are some other advantages with regard to the value added tax, but these two points are sufficient to illustrate the merits. The value added tax can fundamentally be adapted to commodity production, the complicated situation of economic structure in the new period and is advantageous to coordinating the reorganization of industry and developing specialized production.

2. To coordinate with the price policy and effectively regulate the difference of income caused by deviations of price from value, for some specific products the consumer tax may be used, which plays a particular regulatory role. We may also call it taxation for specific products. As we know, under the conditions of the socialist commodity production in present stage, to regulate production and consumption, the state can consciously use the law of value and increase the prices of some products above their values, such as cigarettes, wine, wristwatches and cosmetics. It is not enough just to levy value added taxes on these products. The influence of value-added tax on distribution mainly concerns the national income created by the enterprises and, generally speaking, it does not touch upon the difference of income which results from the deviation of price and value must be regulated by relevant and specific categories of taxes. Otherwise, the difference which occurs due the factors of price will be included in the profits of the enterprises which manufacture these products and thereby conceal the management results gained through the subjective efforts of the enterprises. This is disadvantageous to enlarging the autonomy of the enterprises, implementing the principle of to each according to his work and urging the enterprises to strengthen their economic accounting and improve the economic management. It is also disadvantageous to carrying out planned coordination among the products and among the enterprises. Therefore, in the case of those products whose prices are higher than their value, to impose differential rates of duty in accordance with the differences of income is not only a matter of financial significance but also a matter of economic significance. This is an important aspect in bringing the role of the economic lever into full play. Since the scope of using prices which deviate from value to regulate production and consumption is quite limited, it is inadvisable to levy special taxes on many products. Instead, we may, by listing the name of each commodity and collecting taxes in accordance with the products, adopt the measure to clearly define the object and scale for regulation so that tax revenue can be coordinated with prices and the regulatory role of the former be brought into full play.

3. We may consider it necessary to levy a resource tax to rationally regulate the differential income caused by different conditions of natural resources. To extend the autonomy of various enterprises, promote the initiative and enthusiasm of the enterprises for production and business management and carry out socialist competition among the enterprises, one important problem that requires a solution is how to eradicate the difference in profits caused by inconstant elements so that level of profits gained by the enterprises can actually reflect the results of subjective efforts made by the enterprises. At present, the level of profits among the enterprises vary greatly. This can be seen not only in various trades or products but also in the same products of various enterprises. This situation is caused by various subjective efforts of the enterprises but, to a greater extent, by objective factors. The above-mentioned deviation of prices and value is one of the objective factors. A great disparity in profits brought about by the different conditions of natural resources is a very important factor, too. Take minerals,

for example. Some are rich and some are poor. Some are easy to exploit and some are more difficult. There is a great disparity in the economic results produced by the same labor. One glaring example is the excavation of minerals. On one hand, due to superior natural conditions in mineral resources, the profit level of some enterprises is very high, though the level of their business management is not up to standard; on the other hand, due to poor natural conditions in mineral resources, the profit level of some enterprises is very low, though great efforts have been made in their business management and in carrying out innovations and tapping potentials. We cannot correctly check the business achievements of enterprises, further improve their level of business management and, to a certain extent, fully use the state natural resources unless there is effective regulation of the differential income caused by different conditions of natural resources. It is essential to rationally apply the economic lever to regulate differential income of this kind. The differential income caused by the disparity of natural resources emerges under the condition of the same quality and value. Therefore it cannot be regulated by means of price. Resource taxes must be applied to it instead. The various differential incomes can be effectively regulated by adopting measures of differential taxation. This is one aspect of our consideration to levy a resource tax. However, a resource tax should also be levied so that the state may be compensated for the natural resources exploited and will not suffer economic losses.

4. Consideration should be given to levying taxes on fixed assets to effectively regulate the differences in income caused by the disparity in production facilities. Production facilities produce no value themselves. However, enterprises equipped with advanced technical facilities have high production efficiency, relatively low labor consumption, therefore the cost of products produced by them is lower than the average cost in their type of enterprises. Thus the level of their profits is high. However, if enterprises are equipped with backward technical facilities, the production efficiency will be low, labor consumption will be relatively high, therefore the cost of products produced by them is [higher] than the average cost in their type of enterprises. Consequently the level of their profits will be low. The difference in profits does not lie in the difference of subjective efforts. Just like the factors of price and resources, it belongs to the category of objective factors. It is necessary to regulate the differences in income created in enterprises which have advanced equipment so that they can be adapted to the needs of enlarging the autonomy of enterprises and put the anticipated positive results into fully play. Under the present condition in which the state-owned enterprises take and use fixed assets without payment, to prevent blindness in seeking technical equipment which often leads to a waste of assets of the state, we may also take measures to levy taxes on fixed assets to check and supervise the way in which the enterprises effectively make use of the fixed assets. Since the two measures of levying taxes on fixed assets mentioned above are different in their functions and purpose, the method of tax collection and the tax rate should also be different.

5. We consider it necessary to levy an income tax on the state-owned enterprises instead of using the present practice of having these enterprises turn their profits over to the state. If we say that by levying a value added tax, we can enable taxation to influence distribution of national income and by levying taxes on specific products, resources and fixed assets, we can bring the specific regulatory role of taxation into play to help eradicate the differences in profits created by objective factors, then by levying an income tax on the enterprises, we can establish the distribution relations of profits among the state, the enterprises and the workers. Practice has proven that to make the state-owned enterprises turn over all their profits to the state and rely on the state for all their expenditures is nothing but "everyone eating from the same big pot." This is not advantageous to bringing into play the initiative and enthusiasm of the enterprises and the workers to run their own financial affairs. The crux of the problem lies in the deprivation of the right of the enterprises which produce surplus products to participate in the distribution of profits. At present, a policy of allowing the enterprises to retain a share of their profits is being implemented on a trial basis in some enterprises. Though they are allowed to draw a certain percentage of their profits, judging from the phrase "retaining a share," one can see that the proper status of enterprises in the distribution of profits is not yet recognized at all. The primary authority over the distribution of profits is still in the hands of the state financial departments. Thus, the policy of keeping part of the profits has changed to a certain degree the situation of "everyone eating from the same big pot." As an interim measure it has positive significance but it does not establish the relations of distribution among the state, the enterprises and the workers. To change the policy of turning all profits into the state into that of levying an income tax means recognizing the fact that the state-owned enterprises are independence economic units and the state has the right to have a share of the profits of the enterprises along with the enterprises and their workers and staff. As the basic unit of socialist production, it is inevitable that an enterprise has an independent character. We should respect this objective reality and grant more autonomy to the enterprises. We believe that to replace the policy of turning all profits into the state with that of levying an income tax on the enterprises is adapted to the socialist production relations in the present period and conforms to the principle of "to each according to his work." By doing so, the main advantages are as follows: First, by levying an income tax, we should define through law the distribution relations of profits among the state, the enterprises and the workers. With the tax rate stipulated in explicit terms, the enterprises have a clear idea how much they can make, how much they must pay to the state and how much they can keep for their own use. Thus, the workers and staff can see with their own eyes their economic interests. This is advantageous to bringing into play their initiative and enthusiasm to create economic results. Second, the distribution relations among the state, the enterprises and the workers is stipulated by law and thus the economic interests of the state, the enterprises and the workers are not only governed but protected by law. On one hand, the state financial departments cannot

abruptly change with any political means the proportion of profits retained and cannot interfere in the economic interests of the enterprises; on the other hand, the enterprises must strictly act in accordance with the tax system and pay it in full and in time. They must not illegally seize and delay their tax payment. In this way, we can organize financial revenue more favorably. Therefore, we believe that as far as reform of the economic management system of our country is concerned, if we carry out the independent system of business accounting, make each unit take responsibility for its own profits or losses and let each unit run its own financial matters, we will reach the conclusion that it is imperative to change the policy of turning all profits into the state into that of levying an income tax.

The above mentioned five categories of taxes will be the five key ones in the new tax system of our country. Our new tax system is not only an important measure to obtain state financial revenue but also an important economic measure to regulate the relations of the economic interests of the state and its various economic units and reduce the effect of business achievements which result from external factors. This will promote competition among the various enterprises. In addition, the levies on personal income tax, joint venture business tax, business registration tax and construction tax can be considered in order to correspond with the ever-growing development of economic exchanges with foreign countries and meet the needs of the state's specific economic and financial policies. At the same time, we should carry out a rational reform with regard to the income tax of collectively-owned enterprises, taxes on housing and land, on salt, on slaughtering animals, on licence tags, on livestock trade, on rural trade fairs and so on to coordinate the various categories of taxes, establish the industrial and commercial tax system for the new period and bring it into full play to meet the needs of the new period.

It is very urgent and complicated task to reform the industrial and commercial tax system to bring into full play the financial and economic functions of taxation and serve the four modernizations. The reform of the industrial and commercial tax system is closely related to the various economic aspects, the price policy and the reform of the economic system as a whole. It is, therefore, an important policy issue and covers an extremely wide range of problems. The study and exploration we have made is merely tentative. If there is anything inappropriate in our analysis, criticism and corrections are welcome.

CSO: 4006

FINANCE AND BANKING

BRIEFS

HEILONGJIANG CREDIT LOANS--This year the credit cooperative in Heilongjiang Province plans to extend loans totaling 10.44 million yuan to help commune members develop household sidelines production and to alleviate the difficulties of poor households. This is 6.25 million yuan more than the amount loaned last year. As of the end of April this year, 4.67 million yuan in loans had already been extended. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 10 Jun 80 SK]

SHANGHAI GOLD, SILVER PRICES--The Shanghai Municipal People's Bank has registered a marked increase in the amount of gold and silver purchased from the people since the People's Bank of China announced the readjustment of gold and silver prices starting 1 March. In the past 3 months, the gold and silver purchase centers in Huangpu District have collected six times more gold than in the same period last year. Approved by the State Council, the People's Bank of China buys gold and silver at the following rates: 1 liang of gold at 406.25 yuan, up from 93 yuan; 1 gram of silver at 0.2 yuan, up from 0.1 yuan; one silver coin at 5 yuan, up from 2.5 yuan; and 1 gram of platinum at 25 yuan, up from 9.12 yuan. The people have vigorously sold gold and silver in support of the four modernizations, and some of them have deposited the cash from the sales in the banks. [OW130626 Shanghai City Service in Mandarin 1130 GMT 11 Jun 80]

ZHEJIANG BANK LOANS--From January to May this year, the Zhejiang Provincial branch of the Agricultural Bank of China extended a total of 620 million yuan, a 61-percent increase over the same period last year, to commodity production, thereby invigorating the rural economy. The loans have gone mainly to undertakings which make full use of local recourse, require less investment and yield faster and bigger returns. Eleven silkworm-raising counties have obtained 4.3 million yuan of loans, while 11 mountainous counties have received 30 million yuan loans for the development of tea and tangerine production. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 11 Jun 80 OW]

CSO: 4006

FUELS AND POWER

LARGE INDUSTRIAL PLANTS IN SHANGHAI CONSERVING ENERGY

Shanghai WEN HUI BAO in Chinese 2 May 80 p 1

[Text] In the first quarter of this year, 25 major plants engaged in the metals and chemicals industries in Shanghai recorded significant results in conserving energy, compared to last year, saving more than 30,000 tons of petroleum, more than 5,000 tons of coal, and nearly 500 tons of coke. Fifty-four of their 63 products were manufactured with less energy consumption on a per unit basis than ever before.

These 25 plants consume an amount of energy equivalent to about 60 percent of the city's total. Since the beginning of this year, these plants have taken further steps to manage energy consumption. They have developed an energy network, quite a few plants have employed engineers to care for energy and energy sources, and they have taken up the task of conserving energy. After the establishment of an energy network, the Shanghai Coking Plant has strengthened its work in steam management, abolishing the private use of heating equipment and small washrooms, greatly reducing the consumption of steam heat, and saving in 3 months' time over 38,000 tons of steam, which is equivalent to more than 5,000 tons of coal.

While strengthening work in energy management, these plants have put into use a series of new energy-conserving devices which accelerate the decline in energy consumption. The Shanghai No 1 Steel Plant is employing a new steel production technology in place of the old one, and the result is an annual reduction in consumption of 2,000 tons of coke, 1.8 million watts of electricity, and 1.75 million tons of water. The Shanghai No 3 Steel Plant is using an integrated smelting technology which has succeeded in raising heat utility from around 47 percent in the past to 57 percent, and reducing petroleum consumption by 25 percent.

Some major plants have changed their industrial technology to save residual heat, attaining the goal of energy conservation. The Shanghai Solvent Plant applied 10 energy-conserving measures during the quarter, and has subsequently raised the level of utilization of residual heat. More than 2,200 tons of petroleum have been conserved. A new type of technology employed in March not only has provided for self-sufficiency in steam consumption, but utilization of steam heat has been raised from the former 30 percent to a current 76 percent.

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FUELS AND POWER

ACADEMY OF SCIENCES STEPS UP ENERGY-ORIENTED RESEARCH

Beijing GUANGMING RIBAO in Chinese 14 Mar 80 p 2

[Report: "First Energy Work Conference Convened by the Chinese Academy of Sciences"]

[Text] Scientific researchers who attended the first energy work conference convened by the Chinese Academy of Sciences [CAS] unanimously said that, although since its founding our people's republic has scored great successes in energy-oriented research work, at present it still faces a serious energy shortage, and they warned that the contradiction between supply and demand is certain to deteriorate in the days ahead if prompt actions are not taken to resolve it. Confronted with this situation, and aware that the energy problem needs urgently to be dealt with, the comrades present at the conference pledged to step up research and play an active role in developing and conserving our country's energy resources in order to insure success in the four modernizations.

This conference was held in Beijing early this year. Responsible comrades of the State Planning and Economic Commissions and the Science and Technology Commission for National Defense were invited to address the conference. In their speeches, they presented to the scientific researchers at the conference a complete picture of our country's energy reserves, reminding them that energy research is vital to the nation's economy and they have a significant role to play in this field. During the conference, related units subordinate to the CAS exchanged experiences in carrying out scientific research on energy conservation, reviewed the work of the CAS scientific researchers, their achievements and level of knowledge, and the potential for greater achievements. In addition to setting forth the tasks to be carried out by the CAS in the field of energy, as required by the state, they developed short-term major scientific research projects, worked out long-range plans for the future, and proposed measures for the CAS to strengthen energy-related work.

Li Chang [2621 2490], the CAS vice president, addressed the conference. On the basis of the suggestions agreed upon by various units represented

at the conference, he suggested that energy-oriented research in the future should focus on the survey, development, and utilization of various energy resources and related natural resources as well as related research, energy conservation and environmental protection in the cities, research aimed mainly at developing natural energy resources in rural China, laws governing petroleum-bearing rock formations and new techniques for oil prospecting and drilling, development and utilization of coal mines, the initial stage of the development of the water resources of Southwest China, new techniques for developing regular energy resources, utilization of solar energy, and exploratory research on the science of energy.

The conference was attended by representatives of various branches, research institutes, universities, and related organizations subordinate to the CAS.

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FUELS AND POWER

BRIEFS

JIANGSU ENERGY CONSERVATION—The chemical and petroleum industry department of Jiangsu on 30 May decided to temporarily discontinue the production of yellow phosphorus by Kunshan County's chemical plant on the grounds of excessive consumption of energy, and also ordered the chemical plants in Hualan, Rugao and three other counties to undergo consolidation within a definite time. In the first quarter of 1980, power consumption for producing one dun of yellow phosphorus by the chemical plant in Kunshan County reached as high as 22.026 kilowatt hours, exceeding the province's average power consumption by some 5,900 kilowatt hours. [Hanjing Jiangsu Provincial Service in Mandarin 2300 GMT 6 Jun 80 OW]

NORTHEAST POWER PLANTS—As of 7 June, the hydroelectric power plants under the Northeast China power grid had generated 1.75 billion kilowatt-hours of electricity, or one half of the annual target set by the state. This showed a 24.5 percent increase over the corresponding period in 1979. [SK122350 Changchun Jilin Provincial Service in Mandarin 1100 GMT 11 Jun 80]

SHANGHAI POWER PLANT FUNDS—Beijing, 31 May—By signing a contract with the Shanghai Municipality for a loan, the Ministry of Power Industry solved the problem of insufficient construction funds for the Shanghai Minxing Power Plant, an enterprise directly under the ministry. The method was praised by the State Council's leading comrades as a good solution to the problem. Under a 1978 state plan, the Minxing Power Plant was to build two 125,000-kilowatt generating units. One of the two units was built in 1979, while the other needed an additional investment of 45 million yuan in order to be completed in 1980. Owing to the shortage of funds, the Power Industry Ministry could not provide such investment; therefore it signed a contract, under which Shanghai Municipality will provide the plant with a loan of 28 million yuan and the ministry will raise 17 million yuan. The loan will be repaid in installments by the plant within a period of more than 3 years with the profits from the power generated by the plant. [Beijing XINHUA Domestic Service in Chinese 1200 GMT 31 May 80 OW]

SHANXI COAL INDUSTRY—Taiyuan, 2 Jun—Shanxi Province has vigorously developed its coal industry. The province's raw coal output in 1979 exceeded 100 million dun. Raw coal output in the first 4 months of 1980 was 12.3 percent more than in the corresponding period of 1979. The province's

coalified acreage accounts for 37 percent of its total area. Coal deposits discovered so far in the province accounts for one-third of the country's total coal deposits. Since 1979, with state support, the province has built a number of large-sized and extra large-sized modern mine pits, including three pits capable of producing a total of 7.9 million dun of coal a year and four other pairs capable of producing 12.5 million dun per year. This year's total state investment in developing the province's coal mines is the largest yearly investment since liberation. [OW061245 Beijing XINHUA Domestic Service in Chinese 0250 GMT 2 Jun 80]

QINGHAI COAL UTILIZED--In order to tap and utilize local coal resources, the Economic Commission of Qinghai Province has organized the local factories and mines into using and burning locally available coal. The Reshui [3585 3055] Coal Mine in Qinghai has rich deposits. In the past, because of high altitude, poor transportation, and other problems, people were unwilling to use coal from the Reshui Mine. This resulted in the stockpiling of huge amounts of local coal. In addition, large amounts of coal were shipped from other parts of the country, thus making it very difficult to develop the local coal industry. The Provincial Economic Commission called a series of meetings among the local enterprises and provided them with the necessary data for modifying the old-type industrial boilers so that they can burn coal powder and locally available low-grade coal. It also improved the rail shipment of coal. The successful experiences gained by the Qinghai Electrochemical Plant and the Qinghai Agricultural Machinery Plant in burning coal from the Reshui Mine were promoted and popularized at the meetings. Since the beginning of 1980, as a result of the measures cited above, it was no longer necessary for Qinghai to ship in coal from other parts of the country. [Beijing CONGREN RIBAO in Chinese 21 May 80 p 1]

POWDERED COAL SPRAYING TECHNIQUE--New-type powdered coal spraying mechanisms have been installed on the tuyeres of blast furnaces at the Shoudu [Capital] Iron and Steel Company in Beijing. By adopting this new technique of spraying powdered anthracite into the blast furnaces, instead of burning the expensive coke in steel smelting, the company was able to save about 200,000 metric tons of coke from its four blast furnaces last year. During the January-April 1980 period, it also conserved 68,000 metric tons of coke through the use of this new method. [Beijing RENMIN RIBAO in Chinese 27 May 80 p 1]

SHANDONG CRUDE GATHERING METHOD--Jinan, 12 Jun--A new method of gathering crude oil has been devised by engineers at the Shengli oilfield in east China's Shandong Province. The crude oil produced at Shengli, the country's second largest oil producer, is of high viscosity and has to be heated when transported in pipelines from producing wells to gathering stations. This made it necessary to lay natural gas pipes or water pipes alongside the oil pipes, coupled with heaters. By the new method, a certain chemical is added to the crude oil to thin it. No heating facilities are necessary, thus greatly reducing production costs. [Text] [OW121225 Beijing XINHUA in English 0256 GMT 12 Jun 80]

MINERAL RESOURCES

SCIENTISTS SEARCH FOR OIL IN SOUTH CHINA SEA

Beijing GUANGMING RIBAO in Chinese 14 Mar 80 p 1

[Report by Zhang Gouguang (1728 0948 0342): "Oil and Natural Gas Abound in South China's Continental Shelf"]

[Text] Representatives of the ministries of petroleum industry and geology and the Chinese Academy of Sciences recently met in Nanhai County, Guangdong Province, to study the paleozoic earth's crust on the continental shelf in the northern part of the South China Sea. At the meeting, they pinpointed the Pearl River Basin, the Yinggehai Basin, and the Gulf of Bac Bo Basin as potential oil-bearing zones for future industrial exploration.

China's geologists began a general geological survey and oil prospecting in the continental shelf in the northern part of the South China Sea in 1959. In recent years, the prospecting was extended from the land mass to seabeds. During the survey, many scientists have studied and analyzed large quantities of igneous rock and sills they obtained there, and these have enabled them to gain a deeper understanding of the life of past geological periods, the structure of the earth's surface, changes in climate, and rock formations on the continental shelf. Their analysis and study have revealed that a tertiary stratum of sedimentary rock as thick as 6,000 or 7,000 meters exists in the aforementioned continental shelf. This sedimentary rock consists of good oil-bearing formations in the deltas, fossil reefs, and undersea pristine mountains.

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MINERAL RESOURCES

UNAUTHORIZED COAL MINING CALLED PROBLEM IN NINGXIA

Ban Must Be Enforced

Beijing RENMIN RIBAO in Chinese 29 February 80 p 5

[Commentary: "Protect Mineral Deposits; Stop Unauthorized Mining"]

[Text] Mineral resources are essential to the four modernizations. We must protect mineral resources and fully and reasonably develop and utilize them, because doing so is in the people's immediate and long-range interests. Some collectives and individuals in the Ningxia Hui Autonomous Region have excavated and extracted anthracite coal from Helan Shan without authorization, thus causing damage to this precious public property. This malpractice deserves our great attention.

The constitution stipulates that mineral resources are public property owned and controlled by the state. At present, poor management of this public property in some areas has led people to dig and excavate coal without authorization. The result has been serious damage to state-owned property because the coal diggers were interested only in searching for rich, large, and "easy-to-reach" mines with thick coal seams, thus leaving many small, poor, and "hard-to-dig" ones unattended and thoughtlessly wasted. Such wastage should not be allowed to continue.

There are many small coalpits and mines throughout our country. The concerned authorities in various parts of the country should strengthen their control and leadership over the management of these natural resources, which should be systematically consolidated and developed in a reasonable way and according to an overall plan. We must resolutely struggle against anarchism. Commune- and brigade-operated mining enterprises are usually permitted to dig coal within a certain radius of the authorized areas. They have no right whatsoever to extend their mining operations beyond that. The large mining enterprises should provide small ones with technical assistance so that all coal deposits can be mined in a reasonable way and in accordance with state regulations. No private citizen should be permitted to operate any mine. Leaders at all levels in the mining areas

should remind workers and commune members of the need to protect mineral deposits and to place the nation's overall and long-range interests and the grand objective of the four modernizations above private interests. They should properly handle relationships between the large and small mining enterprises and between the state and the collectives.

Correspondent's Report

Beijing RENMIN RIBAO in Chinese 29 Feb 80 p 5

[Letter from RENMIN RIBAO correspondent Ji Bingming [1213 4426 2494]:
"Fine Coal Mine on Helan Shan Sabotaged"]

[Text] The Rujigou mining area, located on Helan Shan in the Ningxia Hui Autonomous Region, is one of the important anthracite coal districts in China. Anthracite coal produced there is known for its low percentage of sulfur and of other mineral impurities, and its high heating value. It is welcomed not only by consumers at home but also by people in some European and Asian countries or regions.

Since liberation, the state has invested over 200 million yuan in developing this coal district, where thus far two modern shaft mines and one openpit or surface mine have been installed and put into operation. Their annual design capacity is 3 million tons of coal. But in recent years, this mining area has been seriously sabotaged. Commune members from Shizuishan, Pingluo, Taole, Helan, Zhongning and other counties in Ningxia and vagrants from Gansu and Shaanxi provinces have flocked into this coal district and have dug and excavated coal without authorization. Some army units, farms, and coal miners' families have also established mining operations of their own. An investigation conducted by the Ningxia Coal Industry Bureau revealed that over 130 small, unauthorized collieries organized by over 1,100 individuals have sprung up across that newly developed coal-mining zone in Ningxia. In addition to collieries operated by some units and collectives, a few coalpits called "husband and wife," "father and son," and "fraternal" enterprises have come into being there.

The consequence of allowing unauthorized persons to dig coal there is not only serious but also harmful to the national economy.

First, the state coal resources have suffered great losses. These small collieries, where coal was excavated by means of strip or auger mining, could recover only 10 percent of the coal, thus laying waste large amounts of coal resources and causing damage to three nearby coal mines still under construction in Rujigou.

Second, unauthorized coal mining may cause fires to spread. There are in Rujigou seven coal-burning areas left over from the past that the Ningxia Coal Industry Bureau is now trying to control. But excavation

at unauthorized collieries located in the neighborhood of these fire areas may bring oxygen into the underground coal-burning zones and cause fires to spread.

Third, unauthorized mining threatens the lives of workers in shaft mines. As their operations expand, the shaft mines may someday link up with those abandoned methane gas and water-filled collieries, thus touching off explosions or causing other disasters. Because there is no government record of these unauthorized collieries, heavy-duty strip mining machines may fall into these empty collieries and be buried. Unauthorized mining has deformed the highways, causing traffic disruptions and car accidents.

Fourth, operators of those small collieries cannot protect their own lives. Without taking the necessary precautionary safety measures, almost all small collieries are susceptible to explosions caused by methane gas and or caveins caused by water slippage.

The aforementioned practices of sabotaging the state coal deposits in the Rujigou mining district have attracted the attention of the Ningxia regional departments concerned and the cadres and people. The regional people's government recently took specific measures by sending personnel to the Rujigou mining district to conduct an on-site inspection as a show of its determination to deal with these small collieries.

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MINERAL RESOURCES

BRIEFS

SHANDONG GOLD MINING--(Jiuqu) Production Brigade of (Gushan) Commune in Zhaoyuan County, Shandong Province, organized commune members to engage in gold mining when there was less farm work to do. Over the past 5 years or so, the brigade have produced some 9,520 liang of gold [1 liang equals 50 grams], adding some 1,724,300 yuan to its income. The income earned from gold mining accounted for 47.7 percent of the total revenues from agriculture, industry and sidelines production during the past 5 years. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 11 Jun 80 SK]

SANDSTONE EXTRACTION LUNE--Beijing's first deep sandstone extraction line was put into trial operation at the Longfengshan Sandstone Plant on 31 May. The primary task of this project was to modify the extraction vessel to attain an extraction depth of 9 meters [the old depth was only 5 meters] from an old river bed layer 15 meters thick. This one million metric tons annual output production line also includes six transport corridors, one railway mechanized loading line, a tall building, and 48 pieces of heavy-duty equipment. [Beijing BELJING RIBAO in Chinese 1 Jun 80 p 1]

XIZANG DISCOVERS DIAMONDS--Beijing, 30 May--According to a report by GEOLOGY PAPER, China's geologists recently for the first time discovered more than 100 pieces of natural diamond in Xizang. The diameter of those diamonds ranges between 0.1 to 0.5 millimeters. The new discovery is significant in studying the formation of diamond and geological structure in the region. [Beijing XINHUA Domestic Service in Chinese 0111 GMT 30 May 80 OW]

CSO: 4006

HEAVY INDUSTRY

'JINGJI GUANLI' ON REFORMING MACHINERY SUPPLY SYSTEM

HK180957 Beijing JINGJI GUANLI No 4 in Chinese 15 Apr 80 pp 28-30

[Article by Zhao Zhongjun [6392 0022 3182], State Bureau of Complete Sets of Machinery Equipment: "On the Restructuring of the System of Supplying Machinery by Sets"]

[Text] To do a good job of supplying complete sets of machinery equipment is an important link in speeding up the development of capital construction. The supply of complete sets of mechanical and electrical products must be in line with the needs of various projects for capital construction and the equipment must be supplied in due time and be of the necessary quality and quantity so as to guarantee the speed of construction. In this way, various projects can be completed in due time to begin production and add new productivity to the state.

The construction of a modern enterprise needs a great variety of equipment in complicated sets. According to the design and projects of the enterprise, all the related equipment must be supplied in due time. If we fail to supply in time even a single piece of equipment, the whole project will be affected and it will not be possible for the complete sets of equipment to operate regularly even if they lack an instrument or meter.

The production of complete sets of equipment in our country began and developed alongside socialist construction. Much work has been done by the departments that are responsible for such equipment over the past 2 decades to speed up capital construction projects and develop the machine building industry. Such work has played an active role. But there are still many defects in the management of the equipment. Such management does not accord with the demands of state planning, nor does it accord with the need to develop the national economy rapidly and proportionately. Concretely speaking, the number of complete sets of equipment is limited and the standard is low. As a result, we have not been able to supply such equipment in due time of the necessary quality and quantity. The work of such equipment has failed to keep pace with the development of capital construction for a long time, such as now. A situation has been closely related with the shortcomings of the present management systems of goods and materials, planning,

industry and finance. As work is carried out to restructure these systems, such measures will eventually create conditions for restructuring the present system of working on complete sets of equipment. This article is intended to discuss, for reference, the effects of the work on the complete sets of equipment by the present system in the distribution and supply of goods and materials and by the present method of arranging mechanical electrical production. This article also discusses how to restructure the supply system of complete sets of equipment.

The important effects of the work on complete sets of equipment by the present goods and materials distribution system and the method of arranging mechanical and electrical production are as follows:

1. The equal distribution of equipment, materials and resources by dividing them into big categories is not in line with the need to supply complete sets of equipment. The items comprising the complete sets of equipment change every year. Therefore each year needs different varieties and specifications of mechanical electrical products. When the state defined several years ago the items required annually for complete sets of equipment, the goods and materials management departments distributed a certain amount of resources to the departments responsible for the complete sets of equipment by dividing the products into two major categories: mechanical and electrical; and the orders for such equipment were made during the goods ordering meetings. Although this method has been improved over the past few years, some departments have still been unable to acquire some of the necessary products. Such a method shows that production is still not decided by demand. It has been a reality for quite a long period that some departments cannot purchase the necessary equipment every year.

2. The listing of the supply of complete sets of equipment shows that the listing itself is incomplete. When the work on complete sets of equipment was resumed in 1972, it was decided that there were only 82 varieties of complete sets of equipment. This figure was expanded to 156 in 1975 and 200 this year. Though the listing has been expanded, it still lacks the electrical and mechanical products that can be selected when designs are being made. The building and construction units are generally of the opinion that they can set their minds at ease since the departments of the complete sets of equipment are responsible for the listing of such goods. What worries them is that there are no channels whatsoever for purchasing mechanical and electrical products that are not included on the supply lists. It has been very difficult for them to find such products even if they send people to purchase from other places.

3. The products that are included on the supply lists of the complete sets of equipment are distributed by various management departments, making it difficult for other departments to find the necessary channel for purchasing the equipment. Of the 156 varieties of complete sets of equipment that were included on the list, 122 were produced by the departments under the Ministry of the First Machine Building Industry. This situation has been improved a little over the past few years. But still there were 34 varieties

of the equipment that were made and distributed by other departments, which only made it more difficult to organize the supply of the complete sets of equipment.

4. As mass production is arranged twice annually, it is difficult to guarantee the supply of the complete sets of equipment. Generally, the arrangement of production is pre-arranged in the fourth quarter of the preceding year according to the orders made at the goods ordering meetings or according to the stipulations of higher authorities. Another arrangement is made in April/May of the same year according to the orders from the meetings. There is no reliable way of arranging production of equipment that is needed due to changes in design and the production of additional equipment that is needed because of changes in blueprints. The production of such equipment usually has to be delayed and included in the next annual plan.

5. Orders for single items of equipment has made it difficult for complete sets of equipment to reach an advanced technological level and to attain rational economic results. To order the necessary complete sets of equipment, the departments concerned have to fill in hundreds of thousands of order forms every year. Each form is made up of 7 copies and each copy needs 5 to 6 seals. Altogether, about 6 million seals are needed. Such work is enormous and the procedures are complicated. More important is that such a method of ordering cannot guarantee that the equipment supplied meets the specific requirements of the equipment requested. Some departments have ordered the main machinery but failed to order the auxiliary machinery and the necessary accessories while some others have ordered the auxiliary machinery and the necessary accessories but failed to order the main machinery. And even if they have ordered all the equipment, the equipment is not always rationally matched with technical data. Thus the advanced technical performance of the equipment will be affected and cannot be efficiently used.

In short, the present situation in the work on complete sets of equipment can be described as: "Many sets of equipment have been completed but many of the sets are incomplete." Some work has been done by the departments concerned over the past few years to change this situation. For example they have expanded the list for the supply of complete sets of equipment and pre-arranged production. But this is a minor restructuring. The management of the complete sets of equipment still cannot depart from administrative measures while the basic problems are yet to be resolved.

In order to improve the work on the supply of the complete sets of equipment, it is imperative to resolutely abandon the method of administrative management and to work according to objective economic law. It is suggested that the management system must be restructured in the following ways:

1. Set Up Complete Sets of Mechanical Equipment Companies

The departments that are responsible for the complete sets of equipment must be reformed into economic organizations. Set up complete sets of mechanical equipment companies throughout the country and set up branches in all provinces, municipalities and regions. Such companies are enterprises plus economic organizations that implement strict economic accounting, handle finance by themselves and are responsible for both losses and profit. In order to carry out business activities, the companies must have their own business method and floating funds. They must have economic and legal responsibilities toward the state, production enterprises and building and construction units. The economic interest of the companies, their leading members and staff depends on the achievements of their business. The companies and individuals with good achievements in their business must be awarded. Awards must not be given to those with bad results while those who have made business losses must be fined. That is to say, the economic interest of the state, companies and individuals are closely combined.

Such companies must have the features of enterprises in the process of circulating their products, that is to say, they become enterprises when they are selling their mechanical and electrical products by sets. They must have two different features. With regard to their relations with building and construction units, they are contractors supplying the mechanical and electrical products that are needed for construction projects. They must be able to supply the complete sets of equipment in due time and of the requisite quality and quantity. Such measures are helpful in cutting down the number of purchasing staff, saving investment in capital construction, shortening the cycle of construction and raising the efficiency of the investment. Speaking from the viewpoint of the production enterprises, such companies are sales companies that are responsible for the sales of part of the mechanical and electrical products that are made by the production enterprises. Thus the setting up of such companies will help cut down the sales work of the production enterprises, quicken the turnover of their funds and promote their production.

2. Expand the Range of Contract Items

The present items of the complete sets of equipment are divided into two categories. One category consists of the items of the complete sets of equipment determined by the state. The supply of equipment is organized by the state bureau of complete sets of machinery equipment so as to facilitate unified state control over equipment resources. Another category is that the items of the complete sets of equipment are decided by various provinces, municipalities and regions. The supply of the equipment is organized by the provincial, municipal and regional bureaus (companies) of the complete sets of machinery equipment to enable all provinces, municipalities and regions to control the equipment resources. Following the establishment of the companies dealing with complete sets of equipment, contract items can be expanded. With the restructuring of the financial system, investments in capital construction can basically be realized in three ways:

the construction projects can be financed by the state; through bank loans; by the departments concerned. Projects in the first category should be key projects under contract to the companies dealing in complete sets of equipment. Therefore efforts must be made to ensure the supply of equipment for such projects. Projects falling under the second and third categories must be contracted according to the state principles and policies of developing the national economy and according to the availability of equipment resources. In short, the companies dealing with complete sets of equipment must gradually become specialized companies that are responsible for the supply of mechanical and electrical products needed for capital construction projects.

3. Supply the Equipment According to the Need of Construction Projects

The type and quantity of mechanical and electrical products needed by a construction project depend on the scale of production and technology of the project and they are calculated, analyzed, compared and determined by design institutions. The companies dealing in complete sets of equipment must be responsible for supplying the equipment that is selected at the design stage. But according to the present list for the supply of complete sets of equipment, the departments responsible for the supply of equipment will only supply what is on the list and they refuse to supply items excluded from it. Such practice is not rational. In fact, with the exception of the equipment that can be made by the departments concerned on the spot, all the mechanical and electrical products that are included in the detailed list, must in principle be included in the supply list of the complete sets of equipment. Of course, concretely speaking, the amount of equipment supplied by a company for a certain project is basically determined by the demand of the building and construction units. This question can be discussed by both sides during the signing of the contract or when the equipment is being delivered by stages.

4. Implement the Principle of Carrying Out Production According To Demand

In order to guarantee the complete sets of equipment needed by construction projects, the old method in the management of goods and materials, by which all the departments concerned at various levels have to check the supply of the equipment, must be changed. In future, the balance in the supply of the mechanical and electrical products needed by a complete project must not be carried out according to the major categories of products such as machine tools and pumps. It must be carried out according to the proportion of the rolled steel that is used in the making of the complete sets of equipment against the total rolled steel used by the machine building industrial departments. In order to insure that the national economy develops proportionately, the state must define a rational proportion for the rolled steel to be withdrawn from the total steel consumption of the production of the machine building industry for use in making complete sets of equipment. The ratio must be based on the quantity of the mechanical and electrical products needed by various fields and must be based on the actual reference materials that have been accumulated for many years. When the

annual demand in the quantity of the complete sets of equipment is being balanced and when the steel that is used in the making of the equipment does not exceed the defined ratio, the companies dealing in complete sets of equipment may directly sign contracts with specialized production companies of the machine building industry or with production enterprises. It is no longer necessary for the goods and materials management departments at various levels to examine the contracts. In this way, the enterprises will produce the equipment that are needed by complete construction projects, so that not only is the production carried out according to demand, the equipment will also be produced in complete sets. The mechanical and electrical products that are under the control of the state must be included in the state production planning while those that are distributed by localities must be included in their production planning. In addition, the companies dealing with complete sets of equipment may directly sign contracts with production enterprises or commercial enterprises for the supply of mechanical and electrical products that are available on the market.

In balancing the demand for complete sets of equipment according to the above method, contradictions may arise concerning products that are in short supply. If such a situation happens, the following measures may be taken: 1) Increase prices by making use of the law of value so as to encourage production enterprises to produce the goods that are in short supply and meet the needs of complete projects. 2) The companies dealing with complete sets of equipment may import any equipment for which our country is not able to make production arrangements and such imports must be organized according to the development of the projects.

5. Develop Complete Sets of Machinery and Complete Systems

The method of ordering a single item of equipment began in the 1950's in our country. Such a method was then in line with the manufacturing standard of our machine building industry. Over 20 years later, the standard has been drastically raised and yet we still use the old method of ordering equipment. Since 1974, the departments responsible for complete sets of equipment and the machine building industrial departments have cooperated in trial-manufacturing complete sets of instrument and meter control systems for such construction projects as electric power stations, petroleum, chemical industry and coal enterprises. Technical cooperation was carried out between design institutions and assembly enterprises. The assembly enterprises then designed, manufactured and supplied the complete sets of equipment according to the technical requirements. Such measures have not only simplified the procedures for ordering equipment but also guaranteed the quality control system. Therefore to develop complete sets of machinery and complete systems is not only the orientation for the supply of complete sets of equipment but is also the orientation for the development of the production of the machine building industry. The units concerned under the departments of the machine building industry are now organizing the production of complete sets of equipment for the supply of electricity, water and heating. The departments responsible for complete sets of equipment

must cooperate with building and construction units, design institutions and industrial enterprises in continuously developing complete sets of machinery and complete systems so as to meet the demands of large scale economic construction for advanced and high quality complete sets of equipment.

6. Implement Economic Contracts

The method being used at present for ordering complete sets of equipment is ordering cards (in lieu of contracts). Such contracts do not have the character of economic contracts and are not binding upon the two parties signing the contracts because the building and construction units and the production enterprises do not directly meet to discuss the contents of the contracts. The contracts are signed by the departments responsible for the complete sets of equipment on behalf of the building and construction units and the production enterprises. In addition, the state has not been able to set strict regulations for economic contracts. As a result, some production enterprises have arbitrarily revised the contents of ordering cards; such contracts are called overlord contracts. Some building and construction units have, for certain reasons, arbitrarily cancelled their contracts. Thus when contradictions occur, it is very difficult for the departments responsible for the complete sets of equipment to handle them. As a result, both the production of the enterprises and the construction projects are affected. The companies responsible for the complete sets of equipment must, in future, work according to the state regulations on economic contracts. As contractors, these companies must sign contracts with the building and construction units for the supply of the equipment. They must also carry out financial accounting. On the other hand, as sales companies they must sign contracts with production enterprises for the supply of equipment and they must also carry out financial accounting. Thus through economic contracts, the companies dealing with complete sets of equipment, the production enterprises and the building and construction units are closely combined and their economic and legal responsibilities are stipulated. After the contracts have been signed, each party must abide by these contracts and strictly implement them. All the contractors must condition and supervise each other. Any party that does not strictly implement the contracts and causes damages to other parties must bear the economic and legal responsibilities.

CSO: 4006

HEAVY INDUSTRY

ZHEJIANG'S METALLURGICAL INDUSTRY DEVELOPS PRODUCTION

OW191205 Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 19 Jun 80

[Excerpts] The metallurgical industry in Zhejiang Province is seriously implementing the policy of economic readjustment and making great efforts to renovate and transform old enterprises to tap their potential. It has thus developed its production comparatively quickly, with its 1979 total output value increasing by 22 percent compared with 1978. In 1979, its output of steel, rolled steel and the metallurgical products of four major non-ferrous metals--copper, zinc, lead and aluminum--also increased by a comparatively large margin. Its 1979 net profit doubled that of 1978.

Over the past 3 years, the metallurgical industry in Zhejiang Province has not set up any new enterprises, nor has it obtained new equipment. Yet, in this period, it has made three big strides forward and registered a fairly big increase in major technical and economic targets, such as total output value, production and profit. The achievements are primarily due to efforts to tap the potential of old enterprises. In 1979, 9 major enterprises adhered to the policy of economic readjustment, cancelled or postponed the construction of 17 capital construction projects and turned their attention to tapping potential, making technical innovations and transportation.

The efforts to tap potential and make technical innovations and transformation has enabled the metallurgical industry in Zhejiang Province to offer a better service to agriculture and light industry.

CSO: 4006

HEAVY INDUSTRY

METALLURGICAL INDUSTRY MODERNIZATION STRATEGY DISCUSSED

Beijing RENMIN RIBAO in Chinese 21 Mar 80 p 3

[Article by Zhou Chuandian [0719 0278 0368], Deputy Director, Scientific and Technical Office, Ministry of Metallurgical Industry: *Some Perceptions and Suggestions Regarding Modernization of the Metallurgical Industry*]

[Text] Editors' Note: The subject of Chinese-style modernization brought up last year by the center is a major question which concerns the path this country's implementation of the four modernizations will take. It has already begun to attract serious consideration from many comrades, who are making energetic surveys and engaging in conscientious reflection and research in order to gain a clearer understanding of the question. The present article, by Comrade Zhou Chaundian, Deputy Director of the Scientific and Technical Office, Ministry of the Metallurgical Industry, is extremely valuable and thought-provoking research material. It is circumstantial, shows a process, contains analysis, judgments and suggestions, and is free of empty verbiage and platitudes. This attitude of trying to find the truth from the actual situation is well worth learning from.

If our country is to modernize the metallurgical industry, it must first clarify what is meant by modernization of the metallurgical industry. If we are not clear on this point, we will not know where to begin, and when we do begin we will be groping in the dark.

When Premier Zhou proposed the four modernizations at the Fourth National People's Congress, some comrades in the Ministry of Metallurgy began seriously to consider and investigate the problem. But at that time, the "gang of four" had closed China off from the world, and we had no way of gaining an understanding of circumstances abroad. We could only glean bits and pieces of information from foreign periodicals, which were so fragmentary that they added up to no well-rounded conceptions. After the overthrow of the "gang of four," people were invited here and people were sent abroad, and

our foreign contacts gradually increased, so that the range of our understanding grew steadily. My own understanding of modernization of the metallurgical industry has passed through three stages and has made gradual progress, but it is still very superficial. In the first stage, my knowledge was limited--this was in 1975. In the second stage, in 1978, I had heard many of the reports of people who had gone abroad for investigation and had come to a preliminary understanding. In the third stage, in 1979, after visiting the United States, West Germany and Japan, I have formed a new conception.

1. My Understanding in 1975

In 1975 when I discussed accelerated development of the iron and steel industry, I based myself on some knowledge of the foreign iron and steel industry and an understanding of this country's concrete circumstances, and made two suggestions.

The first involved the problem of constructing new plants.

Between 1953, when we began to remake the Anshan steel complex, and 1970, this country's iron and steel works construction basically did not break out of the Soviet design mold. During the First Five-Year Plan, we assimilated the technology imported from the Soviet Union, and our technical and economic indices reached a very good level. However, the technological facilities at the newly-constructed Baogong [0545 6921] steel works largely copied those of Anshan, and we did not improve on the latter for several decades.

In 1970 the Pangang [2372 6921] steel works went into operation. It was an excellent example of breaking out of the Soviet design mold, and it provided fresh experience for modernization of the steel industry. It employed a series of new technologies, new facilities and new processes, some developed independently by this country and some learned from abroad. They included: the first use of a downhole drill mechanism and an increase in the size of electric locomotives from 60 to 100 tons; an increase in the size of coking furnaces from 4 to 5.5 cubic meters; an increase in the size of sintering machines from 75 to 130 square meters; an increase in the size of converters from 30 tons to 120 tons; and in addition the use of large-size coal-handling machinery, hydraulically coupled blowers, a 500-ton hoist for ingots, the use of silicon controlled rectifiers in the electrical supply of overhead-track rolling mill and the like. These were all large-scale facilities designed and produced domestically, and there were only a few isolated items which we could not produce, such as large oxygen producing machines and air blowers which we had to import from abroad. Experience proved the experiment of the Pangang steel works a success. These things had great vitality, and were relatively easy to master and to maintain. By summing up these experiences, continually improving on them, and adding a few other foreign facilities which we could not produce ourselves so as to form a complete system, we were able to form a new-generation integrated complex with this country's stamp on it.

The second point involved improvement of old plants and unearthing latent potential.

The older plants which we had built in the previous 25 years still had considerable latent potential and it was suggested that we organize experienced three-way combination technical teams to study the problem of how to bring into play the capacities of existing equipment. When could these capabilities be realized? What contradictions had to be resolved? First, we had to organize geological, scientific research, design, construction, installation and production forces to cooperate in making a success of planning iron and steel bases and to alter completely the practice of each unit's concentrating on its own area only; we had to cooperate in gaining a thorough understanding of the bases and identifying their key aspects, without fear of exposing contradictions, and had to decide on and implement the plans conscientiously plant by plant, and truly develop a complete and not partial, actual and not merely nominal, type of integrated production force.

Viewed from the vantage point of the present, the basic points of these two suggestions are still correct. But there are two shortcomings; one is that the newly constructed plants concentrated on using domestically-produced technology and did not pay attention to adopting and importing advanced foreign processes, technology and equipment. The other was that with regard to renovation of old plants, mention was only made of filling in gaps and forming up an integrated production capability, without mention of technical renovation; and this would have left the old plants perpetually in a technically backward position.

2. Findings from 1978

Many reports from people who went abroad for investigation provided us with fresh knowledge. In 1978 I collected this new information and summarized it in six categories as guideposts for modernization of the metallurgical industry.

A. Larger-scale facilities. For example, foreign power shovels held 19 cubic meters, whereas here they hold 4 cubic meters; foreign ore trucks generally hold 100-150 tons, whereas here they hold 8 tons; foreign sintering machines measure 500-600 square meters, whereas ours measure 30 square meters; foreign blast furnaces measure 5,000 cubic meters, whereas ours measure 2,500 cubic meters; foreign converters have capacities of 400 tons, and ours have capacities of 150 tons; initial rolling mills abroad measure 1,500 millimeters across, while ours measure 1,150 mm; foreign hot strip mills measure 3,050 mm and ours measure 1,700 mm. The Japanese have increased scale, with the result that 1,000-cubic meter blast furnaces are being abandoned as too small.

B. Automatic and continuous operation. Recently-built Japanese iron and steel works are completely automatically controlled and managed by electronic

computers. For example, converters are computer-controlled, and when a button is pushed in the control room the analytical results for the steel are printed out as soon as it is refined.

C. High production efficiency. Each time blasting is carried out in foreign open pit mines, 3 million tons of ore can be produced. A foreign sintering machine can produce 20,000 tons a day, whereas ours produce only 3,000 tons. A foreign blast furnace produces 12,000 tons a day, whereas domestic ones produce less than 4,000; a foreign hot strip steel rolling mill produces 6 million tons a year, whereas the Anshan semicontinuous rolling mill produces only 1 million tons; a foreign wire rod mill has a production speed of up to 76 meters per second, whereas those in this country produce only 25 meters per second.

D. Low energy consumption. In Japan, the average consumption per ton of steel is 0.8 tons of standard coal, whereas the best value in this country is Anshan's 1.1-1.2 tons. The finished product rate for steel in Japan is 87.2 percent for ordinary steel, whereas in this country it is 70-75 percent.

E. Good iron and steel quality. Automotive axle bearings produced in this country last only 100,000 kilometers, a quarter the figure for those produced in the United States. This country's aircraft axle bearings have one-seventh the life of British-produced ones; three high-speed steel drill bits produced in this country last as long as one produced in England.

F. Low environmental pollution. Our new perceptions have made us aware that: first, the suggestions I made in 1975 were inadequate and could not meet the standards above; second, the levels given above will not be attained in this century, because this would require greater material and financial resources than we can afford. Foreigners have made many suggestions to us, but all of them have too high a price. Setting up new plants with completely imported equipment, such as the Baoshan [1405 1472] steel works, would cost too much money. Renovation of old plants like Shongang [7445 6921] would also cost too much. We are not capable of this kind of modernization.

3. Perceptions From 1979.

Between April and July 1979, I visited West Germany, the United States and Japan. I said that I wanted to see new plants built in the 1970's and also older plants built previously. Indeed, one sight is better than a hundred reports, and this trip completely overthrew my new perceptions. It turned out that my six summary points applied only to Japan and not to West Germany and the United States.

In the United States and West Germany, modernized and older facilities exist side by side. West Germany has an iron alloy plant which still uses the lead chamber method, which has long since been abandoned in this country. Why are they still using it? Because the plant has byproduct nitrogen which

can be used in this process. The shop engineers told us that it would cost a great deal to build a new facility, and the nitrogen would go to waste, which is not economical. Chlorination is an important process in the refining of titanium; the vertical furnace method has long since been abandoned in this country, but America's largest titanium company continues to use it, so that it is inferior to our titanium plants. Manual handling of rolled slabs in single-machine rolling mills is extremely uncommon in our country, but some American special steels and titanium plants still use it. A titanium company which produces 1,200 tons a year of sponge titanium, and which is the main supplier of titanium sheet for American jet aircraft and satellites, uses this outmoded process in rolling titanium slabs. When I saw the main blast furnace facilities of the Krupp steel works in West Germany, I found that they were comparable with the newly-built Shougang No 2 blast furnace, and not at all advanced.

American and West German metallurgical plants were built at various periods. The majority were built in the 1950's and 1960's, with those from the 1970's in a minority, and those dating from the 1930's and 1940's still accounting for a sizeable proportion. The main facilities of the plants dating from the 1950's and before are rather similar to ours. In what respect are we inferior? One respect is that new measuring and monitoring instruments and control equipment have been installed on old facilities, allowing them to determine correctly all the process parameters. By this approach, their equipment operation has gone beyond the stage which relies solely on workers' skill to operate it, and has entered the scientific stage. When we refine steel in converters, there are no exact figures for how much oxygen to use during the blowing process or how long the process should last. The person with the most experience can refine it the fastest. In West Germany they still do not use auxiliary jets and dynamic computer control of steel refining. They believe that at the present level it is uneconomical to use dynamic computer control. They use a large variety of monitoring instruments and process the recorded parameters for the refining of various kinds of steel to draw up blowing curves, and the workers operate according to these curves, with the result that the success rate is above 70 percent, close to that for the Shanghai Baoshan plant. Another point is that new technologies and new equipment have been installed between the sintering, coking, steel refining and rolling processes, e.g., pelletizing, continuous casting, sulfur removal outside the furnace, purification outside the furnace and the like, and in particular, quality control equipment has been added, while at the same time, within a given process, they have adopted some new technologies, installed for instance during major overhauls of blast furnaces, including clinker-free bell blast furnace roof [2477 2436 6988 7010 7307], superhigh-pressure equipment, and external-combustion type hot blast stoves.

The United States and West Germany do not readily discard old equipment, and only replace it with new equipment when it has become very uneconomical; but when renovating they also use the gradual modernization method. As we know, compared with a converter, an open-hearth furnace uses too much energy; West Germany and the United States have been replacing them for 20 years,

but in 1978 about 20 percent of the open-hearth furnaces were still in operation. According to my understanding, the Japanese made the changeover quickly and no longer use open-hearth furnaces, as a result of the fact that their energy resources are all imported. The Soviet Union also has some points of difference with the United States, Western Europe and Japan. The Soviet Union needs large new steel refining capabilities, so that it is unwilling to discard existing equipment, which is similar to our circumstances; while United States, Japanese and German production capacities are only 50-60 percent utilized and the equipment is idle a good deal of the time.

In sum, the American and West German practice as regards old refining facilities is to consider economic effectiveness and product quality first; next they consider energy; and finally they consider investment capacities.

As regards technical policy towards new equipment and processes, foreign countries are guided by whether or not it is economical. For example, it must be said that American and West German electronic computer technology is extremely advanced and already in extensive use, and the iron and steel industry is already using it on high speed continuous rolling mills. In their converters, blast furnaces, sintering machines and coking furnaces, computers are used to process data but are not yet used to control operation as in the case of rolling mills. I visited nearly 20 plants, and only in the U.S. Titanium Company did I see a computer being used to control vacuum welding. The reason is very simple: because investment and maintenance costs for in-line control computers are too high, they are not economical. As to why the Japanese use in-line control computers, we believe that it is connected with the increase in the scale of their equipment.

This is the modernization of the metallurgical industry which I saw in the United States and West Germany. And this modernization is different from that described in my earlier six points. Accordingly I have divided modernization, which is modernization in accordance with the six points, and the other is American-style modernization, which is technical transformation of old equipment, the installation of new equipment and new technologies to make product quality and production costs internationally competitive. The standard of the former style of modernization is the six points, while the characteristic of the latter type is comparative product quality and production cost. We should learn from both types of modernization. In terms of conditions in our country, starting out from our metallurgical industry's base, I think that the focus should be on studying American style modernization. Because the investments are not large, the results are very rapid. On the basis of analysis of some rather simple data, the Soviet Union also probably behaves in this manner.

4. How Should We Proceed?

I offer the following suggestions regarding modernization of the metallurgical industry.

A. Assimilation of Imported Equipment

We must make a considerable effort to assimilate new imported equipment, and organize our own teams. Now production installation teams are in existence, but an equipment assimilation and development team is still lacking. The number of workers and staff in the metallurgical system is put at 3 million, and there are more than 170,000 technical personnel. However, many have no work to do, which is a great waste. The Baogang Design Institute, for example, has 1,200 people with nothing to do. The best of these should be chosen and organized into an assimilation and development team. We should set up a real research institute to assimilate and absorb imported technology. First we should learn from other people's equipment and then we should develop our own. Imported equipment and technology should be studied part by part and analyzed process by process. The ones which we can manufacture ourselves, such as the main equipment of sintering machines, blast furnaces, converters and coking furnaces, we should make for ourselves. But there are some precision components which we must rely on foreign research to produce. What we cannot build, such as blowers, oxygen producing machines, high-speed rolling mills and the like, we simply should not build ourselves.

B. Construction of New Enterprises.

Newly built enterprises' equipment should be initially domestic; we should summarize and learn from the experience of building the Pangang works and improve upon it. Doing our own designing and assimilating are of equal importance; then if we add to this a certain amount of imported foreign equipment to fill certain needs we will develop a new-generation integrated steel complex with our own country's stamp on it. We must do everything possible to decrease the amount of equipment we import, so as to limit construction investments, and we must continuously strengthen our own manufacturing capabilities.

I suggest that we create a new enterprise construction advisory committee responsible for examining the plans and designs for new enterprises, which will take account of the state of the art and make concrete suggestions as to what should be produced domestically and what imported from abroad, to aid in policy making by the leadership organs.

C. Modernizing Key Enterprises

In the process of modernizing and transforming existing enterprises, we should not discard existing equipment. For example, 1,000-cubic meter blast furnaces should not be discarded. Some equipment can be discarded, when new processes are available to replace it, but we should proceed in accordance with our capabilities and replace it gradually. For example, there is a clear advantage from replacing open-hearth furnaces with converters, but doing this all at once would require too large an investment, so that it is not feasible. As said above, West Germany and the United States took a good many years to replace them, and in 1978 there were still

open-hearth furnaces in operation. The Soviet Union has for the most part not gotten rid of its open-hearth furnaces.

In the past, we gave serious attention only to the main metallurgical equipment and neglected instrumentation, and control installations. This is one of the main reasons we are backward, and in the future we should strengthen these areas greatly. As a strategic measure, the Ministry of Metallurgy should set up plants to manufacture specialized equipment, instrumentation and control equipment for the metallurgical industry, as well as the requisite research departments. All enterprises must resolve to make their production processes scientific and to thoroughly reform the past tendency to neglect measuring and recording equipment and electricity, and the old methods which rely solely on experienced operation should not be continued.

Another reason that the existing enterprises are backward is that scientific research work concentrated on new materials to the detriment of new processes. Accordingly, many processes are old ones dating from the 1950's. It is still not too late for this country to begin studying processes from the 1960's and 1970's, but not many of them have yet been put into production: for example, the pelletizing process, continuous casting, pretreatment of molten iron, refining outside the furnace, high-speed rolling and the like. We have invested too little manpower in these processes, we are grudging about spending money, we improvise, we cannot get out of the laboratory or small-scale production, we cannot get up to industrial scale. In addition, it must be admitted that the various enterprises are realizing considerable results in the improvement of existing processes. For example, in sintering, refining, open-hearth technology and initial blank rolling, much old equipment has been made to work more nearly up to its full potential. Hereafter, during major overhauls, and provided the investments are economically feasible, everything should be done to make use of new domestic and foreign technologies. I suggest that design institute forces should be organized, or one or two design institutes should be designated not to design new plants, but to specialize in design for the modernization of technology in existing enterprises, so as to make a real effort in this kind of work.

D. Unearthing Latent Potential in Existing Enterprises

There is still a great deal of latent potential in existing enterprises, and we should begin with a major effort to unearth it by means of technological improvements. The use of teams of experts in the various specialties and study of how to bring into play the capabilities of existing equipment were proposed back in 1975, but to this day nothing of this sort has been well organized. At present, the capital construction department is concerned only with new construction, and the production department is concerned only with current production, so that no one is concerned with the "borderline area." A design, production and research force should be organized to study the enterprises one by one. I believe that by filling out sets of equipment and making improvements in existing enterprises, our iron and steel production capacity could be gradually increased.

E. Modernization of Local Small Iron and Steel Works

The overall tendency in the foreign metallurgical industry is toward larger scale, and plants with capacities of about 2 million tons are gradually being eliminated. However, not all the small-sized ones are being eliminated: some are undergoing technical modernization, and new production processes are being adapted. In order to decrease haulage and satisfy local needs, small plants produce various types of consumer items which large plants cannot produce. In the United States, Western Europe and Japan, middle sized and small steel works have great vitality. The production flow is: ore-direct reduction-electric furnace-continuous casting-rolled stock; we should take this seriously. These medium and small size iron and steel works have adopted advanced production processes, and accordingly in comparison with plants on the same scale which use ordinary processes, they can save from a third to half on investments. Another advantage is that there is no problem of pollution from coking. Production costs are almost as favorable as for large steel works.

F. We should Actively Train a Scientific and Technical Force.

A basic task in modernizing the metallurgical industry is that of energetically developing scientific and technical teams and improving the cultural, scientific and technical level of all workers in the industry. In the United States and West Germany, management personnel at all levels are well versed in technological specialities, and the cultural, scientific and technological level of all workers holding posts is high; this is one of the main reasons that their production is advanced. The effort committed to training technical workers in West Germany is instructive. In general, after graduating from middle school, the workers spend two years in technical school and then are trained for a year at the plant, after which their achievements are considered and they are assigned to suitable posts. The technical workers are generally at the technical secondary school level, and because the teacher corps is strong, the educational level is high, and on-the-job training conditions are good, their level is really higher than that of this country's technical secondary schools. We must resolve to make a serious effort in the training of the scientific and technical manpower; this is a long-term investment. We have many factory workers, and we could withdraw a few for periodic training.

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HEAVY INDUSTRY

BRIEFS

HEBEI CEMENT PLANT--Shijiazhuang, 2 Jun--Construction of China's largest cement plant, located in eastern Hebei Province, began last week. The whole plant imported from Japan will have a designed annual capacity of 1.5 million tons. Production is scheduled to start by 1982. The plant is located in the Yanshan mountain area of Fengrun County in north China, where there are abundant material and good transportation facilities. [Text] [OW031208 Beijing XINHUA in English 1215 GMT 2 Jun 80]

INCREASED CEMENT OUTPUT--During the January-April 1980 period, the Tianjin Cement Plant produced 123,000 metric tons of cement, topping the state plan by 19.6 percent and registering a new increase of 20,000 metric tons. In support of Tianjin City's plan to complete 2 million square meters of housing this year, workers of the plant sought ways and means to solve the shortage of raw material--slag. Using coal stones in place of slag, they turned out 49,000 metric tons of volcanic ash cement. [Beijing BEIJING RIBAO in Chinese 19 May 80 p 2]

ANHUI CEMENT OUTPUT--Anhui Province's monthly cement output exceeded 200,000 dun for the first time in May. This represents an increase of 13.39 percent over May last year and hits the best monthly output record in history. The province's cement output in the first 5 months of 1980 amounted to 844,100 dun, topping last year's same period by 12.19 percent. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 7 Jun 80]

JILIN DEVELOPS HIGH-TENSILE WIRE--A new high-tensile steel wire to be used as building material, in a project jointly undertaken by Jinin Engineering College, Changchun Building Material Plant and the first provincial construction company, was developed successfully. Using this high-tensile steel wire to replace cold-rolled low-carbon steel wire in construction can save 30-40 percent steel. The saving in steel can be as high as 60-70 percent if it is used in the place of hot-rolled steel wire. The high-tensile steel wire is made from low-carbon steel through a Martensite-type transformation process to increase its strength. [Changchun Jilin Provincial Service in Mandarin 2200 GMT 17 Jun 80 SK]

SHANGHAI IRON-STEEL COMPLEX--Since late March this year, all departments concerned in Shanghai Municipality have made arrangements for transferring more capable cadres and production workers to the Paoshan Iron and Steel Complex which is still under construction. The city has by now selected 1,100 cadres and approximately 6,600 technicians and workers to work at the Paoshan Iron and Steel Complex. [OWO60249 Shanghai City Service in Mandarin 2300 GMT 1 Jun 80]

CSO: 4006

LIGHT INDUSTRY

WEAKNESSES IN INDUSTRIAL AUTOMATION MUST BE CORRECTED

Tianjin TIANJIN RIBAO in Chinese 5 May 80 p 4

[Article by Xie Xiuqin [6200 4423 3830]]

[Text] Generally speaking, industrial automation is an integrated discipline aiming at the study and application of machinery in automatic control and information management, so as to alleviate and replace manual and mental work. Industrial automation is an important component of modern scientific technology and an important means of developing social forces, raising labor productivity and the quantity and quality of products, and lowering capital outlay. Accordingly, we can say that industrial automation is an important hallmark of modern industry and an important path toward realizing the four modernizations in this century.

In Tianjin, industrial automation has been developing since its recent introduction. At present, we can produce a variety of measurement and control instruments and equipment. Research on and production of computers began in the 1960's. These products have since provided a basic series of automation tools and potential for the petrochemical and electrical industries. In the course of industrial automation, the level of mechanization in our city's industries has been continuously raised, though when compared to some advanced provinces and cities our progress seems to be slow, and when compared with the advanced countries the gap is even greater.

To begin with, there are only a few units in which routine automation is applied, particularly among such industries in the city as iron and steel, petrochemicals, textile, paper, printing, and dyestuffs. Some departments have imported a few pieces of equipment, but electronic control in industrial production is still lacking on the whole. One of the reasons for this is that our city lacks analytical electronic equipment. The standards of the more than 90 products manufactured in the city are equivalent to those in the late 1950's or early 1960's in other countries. Some people say that we are about 15 years behind the advanced countries. Such a gap becomes all the more apparent after the Japanese exhibition in Tianjin on automatic industrial technology. The ability to manufacture complete sets of automation equipment is, in the case of the petrochemical industry, only at 80

percent, and the level of production technology in terms of quantity and quality is behind that of Shanghai, Xian, and Dalian. The Model III electrical equipment of the early 1970's cannot be manufactured in complete sets, and the variety of parts that are being produced is limited.

In addition, many medium- and small-scale enterprises in the city do not use or are lacking automation equipment, so their production processes rely mainly on manual labor. Workers in some enterprises labor in high-temperature, polluted, and adverse conditions which affect their health and the quality of the products. More importantly, these backward conditions have not received the serious attention of related departments. In December 1979, we conducted research with regard to industrial automation in 3 bureaus, 13 companies, and 9 factories in the city. Only 20 percent of the technical departments in those units were interested in automation and showed great enthusiasm. However, owing to various problems such as the low level of technology, many did not suggest any specific plans or measures. Among the above units, only the incense factory of the Rihua Company, because of a degree of automation applied over the past 2 years, was able to obtain better results and gain new export markets.

Furthermore, automation technology in our city is rather weak. According to incomplete statistics, there are over 40 specialized and part-time factories hiring 10,000 workers in the trade. The degree of automation is less than 4 percent (compared to 20 percent in America). There are units specializing in specific scientific research, including automation and telecommunications, and there are units in this city owned by the party center and outside areas. Some of them are unable to tackle industrial automation in this city because of their own specific assignments. Other units, such as those specializing in automation, lack technological strength. They do not have adequate laboratory facilities, and they are unable to develop many projects, though they have made some considerable effort. Tianjin University and Nankai University do not have courses in automation and mechanized control. Though they have served our city by training a lot of talented persons and have participated in solving specific engineering problems in the city, they nonetheless are units which specialize in teaching. Our city has only begun to work in the area of theoretical research, particularly in the area of control research, and the ability to integrate theory with application is still not available. Such large-scale engineering projects as urban planning, transportation, and environmental pollution have yet to be listed on the agenda.

Our city is even further behind from the point of view of electronic computer research and production. Though automation is not the same as computerization, they are basically related. In advanced countries such as America, Japan and European nations, computers are used not only in space travel and navigation but also in all sectors of the national economy, as well as in the family.

In the case of the computer, we have learned many lessons. Several years ago, our city experimented with using the computer, but the results were far

from ideal. Some spent almost close to a million yuan but the product has been put away. In addition to a lack of adequate and high-quality components, another reason for the failure of the experiment was that we did not really understand the application of computers very well. At present, our city has done some more experimenting with computer application, but this is less than what has been done in some middle and small cities in the south, and most of the results are treated merely as data. The application of the computer in industrial production is a necessary path for our future and an important task ahead of us.

One of the important factors for realizing industrial automation is research and production of various measurement instruments and equipment. Owing to a lack of large-scale models, micro-models, and corrosion-proof equipment, it is impossible to obtain accurate measurements of complex calculations, let alone achieve automation by means of such calculations. Also, in the case of various oil products for export, the inability to obtain accurate measurements has often caused unnecessary losses. These are some of the problems to which we must pay special attention, and we must adopt measures for their solution.

Tianjin is an important industrial city in our country. The realization of industrial automation is a task which we should undertake immediately. In view of the situation in our city, we make the following suggestions:

1. Industrial automation is a hallmark in realizing the four modernizations. All leadership cadres should pay serious attention to the matter. They should make note of automation trends nationally and internationally, discover the gaps in our performance, and adopt specific measures in their own units and departments.
2. Automation is a multidisciplinary science. It involves a broad range of subject matter. All leadership cadres should help coordinate units and departments for the purpose of mutual assistance.
3. Strengthen research and production of various specialized measurement equipment, so that automation equipment can be produced in complete sets and in a systematic order.
4. Strengthen research, production, and the application of the computer. Quickly establish or import large-scale integrated computer equipment, and do research on and produce computers, particularly micro-computers, which are relevant to industrial automation.
5. All related academic and research institutes not only should develop theoretical research in this field, but also should conduct research and investigation into our city's engineering projects.
6. Strengthen the training of specialists in automation. Make maximum use of available personnel resources. Strengthen work in communications and continue to conduct academic exchanges.
7. We must place emphasis on industrial crafts, for this is the key to realizing industrial automation.

LIGHT INDUSTRY

KEY CONSTRUCTION PROJECTS IN TIANJIN NEARING COMPLETION

Tianjin TIANJIN RIBAO in Chinese 9 May 80 p 1

[Text] Development of the city's 11 key construction projects, occupying a total area of 120,000 square kilometers of light and textile manufacturing industries, is currently going on; 50,000 square kilometers have already been completed. The remainder are undergoing consolidation and finishing, and it is expected that a portion will be completed by June.

In March of last year, in an attempt to coordinate the eight-character policy of the Party Central Committee with regard to national economic adjustment, the municipal committee designated 11 light and textile manufacturing industries as key construction projects in the city. These 11 key construction projects as a whole possess characteristics such as small capital outlay, short construction time, quick turnover, and rapid capital accumulation. Some of the projects are related to the "flesh and bones" issue of basic economic adjustment. They serve to produce more and higher quality light and textile products in order to provide the necessary conditions for satisfying the needs of the people. Examples include the Cotton Mill No 2, the sewing-machine plants, the Plastics Plant No 5, and the national dyestuffs and printing plant. Some projects aim at expanding the export of light and textile manufacturing products; these include the sportswear factory, the woolen clothing factory, and so on.

In order to fulfill their tasks according to the planning, departmental, and quality requirements, the workers in all units participating in the construction projects couple their enthusiasm with a scientific attitude. These key construction projects emphasize integrated development, producing a force which unleashes good investment results. Each construction project is based on production needs. In addition to the main plant, attention is paid to providing boiler rooms, cooling towers, transformer stations, pools, pumping stations, and restrooms. Because of the large number of accessory projects, delays in construction plans, and congestion at the worksite, the operating units have made arrangements to enable construction work to continue.

9471

CSO: 4006

LIGHT INDUSTRY

BRIEFS

NEW WRISTWATCH PLANT--Construction of the Beijing Electronic Wristwatch Plant, with an annual quartz electronic wristwatch output of 500,000, began on 25 April. The new plant, located in the Haidong Ward of Beijing, covers a building area of 16,000 square meters. A certain unit of the PLA Capital Construction Corps is in charge of the project, which is scheduled for completion by 1982. [Beijing BEIJING RIBAO in Chinese 1 Jun 80 p 1]

SHANGHAI WRISTWATCH PRODUCTION--Shanghai, 16 Apr--Shanghai produced 1,840,000 wristwatches in the first quarter of this year, a 14.2 percent increase over the same period of last year. The annual output is expected to reach 8 million, 1 million more than last year. Wristwatch production in the city has increased at a rate of 1 million a year since 1977 as a result of the rational redeployment of the industry's resources. There were four wristwatch factories originally in Shanghai, all producing mechanical watches. A process of rationalization was begun in 1977, and in accordance with the principle of coordination among the specialized trades the original four factories were reorganized into seven plants, each producing a different kind of watch. Among these are regular mechanical wrist watches, women's watches, and quartz watches. The city plans to rationalize spare parts production also on the principle of specialized division of work. [Text] [OW171245 Beijing XINHUA in English 0808 GMT 16 Apr 80]

CSO: 4020

CAPITAL CONSTRUCTION

BRIEFS

BUILD, SELL HOUSES TO INCREASE REVENUE—Beijing, 3 Jun--"During 1979 a number of Chinese cities built houses as commercial products and sold them to collectives or individuals. Since the funds' activity ceased after the distribution of the houses to the people, the method of employment of funds for housing construction has changed from money-to-houses to money-to-houses-to-money. The funds received by the state after selling the houses became greater than the original amount. The state used more funds to build and sell more houses to recover an even greater amount of funds. This kind of circulation can create more and more funds for housing construction and speed up the pace of housing construction in various cities." Jilin Province started the method in Siping Municipality with good results last year and will employ this method in nine more cities this year. Experiences in Zhaoqing Municipality, Guangdong Province, and Xian Municipality, Shaanxi Province, also proved the method to be very satisfactory. [Text] [OW041426 Beijing XINHUA Domestic Service in Chinese 1255 GMT 3 Jun 80]

CSO: 4006

DOMESTIC TRADE

TIANJIN MOVES TO HALT UNAUTHORIZED PRICE HIKES

Tianjin TIANJIN RIBAO in Chinese 8 May 80 p 1

[Text] Yesterday marked the third day of the current price investigation campaign launched by the city. The municipal commodity price investigation teams carried out their task in retail and wholesale units and factories which produce daily consumer items.

At 3 pm yesterday, the second party secretary of the Tianjin Municipal Committee of the Chinese Communist Party and second deputy chairman of the municipal revolutionary committee, Huang Zhigang [7806 1807 0474], and members of the municipal commodity price investigation team arrived at the basic-level nonstaple food stores on Yueyang Street, Heping District, to ask retailers about the price hikes of subsidiary foods and about problems related to the supply of such products. They went so far as to visit the Tushan Garden residents' committee on Tiuguan Street to publicize the party's policy on commodity prices and to listen to the opinions of local representatives regarding current market prices. Local representatives who attended the meeting raised sharp criticism of the price hike of some commodities, their decline in unit quantity and quality, and the bad attitudes of some of the young retailers in some nearby nonstaple food stores. Comrade Huang Zhigang paid serious attention to these problems. Two days ago, several deputy leaders of the main team of the municipal price investigation teams visited the Quan Ye Lou, the Bai Huo Da Lou, the nonstaple food stores on Dagou Road, confectioneries on Tailong Road, basic-level charcoal product stores on Fuan Street, and breakfast food stores on Binjiang Road and Yinkou Road. Yesterday they visited metal and electrical appliances and leather goods stores in the city.

Our city launched this citywide investigation of commodity prices on 5 May. The decision was made by members of the standing committee during a meeting sponsored by the city government on 28 April. The second party secretary of the municipal committee and deputy chairman of the municipal revolutionary committee, Huang Zhigang, assumed the post of the leader of the main municipal commodity price investigation team. Deputy leaders of the main team include: Li Yanwu [2621 4248 0710], Zhang Fuheng [1728 4395 1854], Li Shihceng [2621 1102 2582], He Zongqian [0149 1350 6197], Zhang Fuan [1728 4395 1344], Jiang

Qixian [1203 0366 2009], Zhong Binghui [6988 3521 6540], Yang Chunlin [2799 2504 2651], Han Yan [7281 1693], Zhang Guizhen [1728 2710 3791], Hou Mingfan [0186 2494 54002], and Li Wenquan [2621 2429 0356]. The main municipal commodity price investigation team has organized five special groups, participated in by cadres specialized in the trades. These groups have investigated the service and prices of such daily nonstaple food items as foodstuffs and drinks, confectioneries, daily consumer products, and fuel. The various districts in the city as well as Tanggu District have organized branch teams for the same purpose.

This investigation campaign is the result of the effort by the municipal committee and the municipal revolutionary committee to carry out the policy of the Party Central Committee and the state council to strengthen control of price and price hikes. Previously, the municipal committee and the municipal revolutionary committee convened several discussion sessions with regard to carrying out the order of the Party Central Committee. On 17 April, the two [municipal] committees issued an order asking all leadership cadres to seriously learn and to carry out the order of the Party Central Committee and to perfect their work in propaganda. An investigation was made in every unit to check the price hikes. All units which violate the price ~~policy~~, or which impose unauthorized price hikes directly or indirectly, will have to be rectified. Demands were made of the municipal treasurer to designate one comrade to take charge of the matter, to cooperate with members of the municipal commodity price committee in conducting regular price investigations, and to seek out problem areas and deal with them immediately. Penalties will be imposed on those who inflate the prices of commodities directly or indirectly without the permission of this committee.

9471

CSO: 4006

DOMESTIC TRADE

'XINHUA' VIEWS SUCCESSFUL SMALL ENTERPRISE

OW030820 Beijing XINHUA in English 0750 GMT 3 Jun 80

[Text] Beijing, 3 Jun (XINHUA)—One year's effort has turned a Beijing stall selling tea for two fens (cents) a cup at downtown Qianmen Street into a flourishing multi-service centre with an annual gross income of one million yuan.

This is one of about a thousand new collective enterprises that sprang up last year in the Chinese capital. These collective undertakings, formerly neglected and looked down upon, are playing an important role in boosting the national economy and providing thousands upon thousands of middle-school graduates with job opportunities.

Some 100,000 of these graduates were employed in Beijing collective enterprises last year, and it is expected that another 70,000 will be similarly employed in the capital this year.

The Qianmen tea stall was organized by 13 young people in April last year. It now has 20 regular workers assisted by 16 retired workers. It also provides temporary jobs for 38 middle school graduates who may later be assigned permanent work elsewhere or leave to take university examinations. Each worker is earning over 50 yuan a month, comparable to an ordinary worker's wage.

"We had nothing to start out with but a few bowls and teapots borrowed from our neighbours," said Zhang Zhangying, the 26-year-old woman who manages the shop and was one of its founding members.

"At first, some people, especially our girls, felt ashamed of selling tea on the sidewalks and many of us suspected that it would last long. [sentence as received] But, gradually, our shyness was replaced by eagerness and every face looked determined as customers heaped us with praise. We have come to realize what we offer is exactly what the people need."

Zhang Zhangying, a slim, pig-tailed girl, is one of those who refused other job opportunities and preferred to stay on. She is always the first to come and the last to leave.

In the first year in business, the young tea-sellers were able to extend their offerings to 300 items, including snacks, wines and everyday articles like plastic bags. Their gross income increased rapidly to reach 200,000 yuan for the month of April this year. The daily turnover topped the 10,000 yuan mark.

The work is cooperative, with everyone concerned with the overall operation and collective property. "We are like a big family," Zhang Zhanying said.

Zhang Zhanying is still single and lives with her parents. She now deposits 40 yuan a month in the bank and gives less than 20 yuan to her parents. "Other boys and girls to the same," she said.

She said that they intended to further expand their business so that more young people would work there. "We have a bright prospect," she said with a broad smile.

CSO: 4020

DOMESTIC TRADE

BRIEFS

JILIN COMMERCIAL CENTERS--Commercial departments throughout the province are actively setting up more commercial and service centers. To date Jilin Province has set up a total of 8,177 nonstaple food centers, foodstuff centers, service centers, department stores and groceries, which account for 29 percent of existing commercial and service centers. The number of collectively owned commercial centers in towns and cities has reached 2,700, accounting for 9.9 percent of the total number of existing state commercial centers. The number of retail shops in rural areas is 3,851. [SK102318 Changchun Jilin Provincial Service in Mandarin 1100 GMT 6 Jun 80]

CSO: 4006

FOREIGN TRADE

EXPANSION OF EXPORT TRADE REPORTED

Beijing RENMIN RIBAO in Chinese 4 Apr 80 p 3

[Report by staff reporter Wang Zheng [3769 2398]: "Make Efforts To Expand Export of Machine Products"]

[Text] Exporting machine products creates more foreign exchange. In the domestic market, the supply of machine products exceeds our own demand; exports of machine products help reduce exports of other products in relatively short supply from the domestic market. Although in recent years the amount of our exports of machine products has been on the increase year after year, it still makes up less than one-tenth of one percent of the total amount of the world's machine products exports, and less than 3 percent of the total amount of our own export trade. Machine products enjoy a broad international market; we should make efforts to expand our exports of machine products.

The capability of our machine industry is solid. The machine industry system is relatively complete; its component segments are diverse, and the kinds of its products are fairly inclusive. The labor force engaged in the machine industry totals several million workers, and our inventory of machine tools exceeds that of Japan. All of this constitutes a reliable material capability for an expansion of exports of our machine products.

In order to expand the export of our machine products, we must improve the quality of such products. Relatively backward technology and low-quality products are serious obstacles affecting the expansion of exports of our machine products. But the situation in this regard can be changed. In recent years, some of our machine plants have determinedly grasped the quality of their products, and some of our products have gained a good reputation in the international market. This situation indicates that as long as we are willing to do a good job, it is feasible to quickly improve the quality of our machine products.

Our lower level of technology in the machine industry is reflected mainly in high-grade, precision, and advanced categories of products; the quality of most ordinary machine products is not necessarily low. According to a foreign entrepreneur who is interested in our machine products, "The

operational tool-casting machines which make machine tools throughout the world were perfected during the period from 1880 to 1948; after that, most machine tools have not undergone any major change." Our machine industry developed precisely after that period. This indicates that the gap between the level of most of our own machine industry's technical equipment and products, especially as to the operation of the machines, and the advanced level in the international context is not necessarily very wide. After buying a machine tool from us and taking it apart, a foreign businessman was of the opinion that its quality was really not bad. After modifying the control parts of this machine tool slightly, he resold it for twice the original price. Some foreign businessmen who knew of our internal situation thus began to order our machine products; some of them sold these products directly as they were, and some of them sold them after slight modification. This tells us that we must have a correct appraisal of the quality of our machine products; we need not blindly overestimate ourselves, but neither do we need to unduly underestimate ourselves.

In order to expand exports of our machine products, we must conduct our trade flexibly, and not just sell anything we already have. To the extent that we can supply a given category of products, we must do our best to provide both goods on hand and goods to be produced by a fixed date after an order is received, seeing to it that the specifications and quality meet the different demands of the various countries and regions. In the case of electric products, for instance, we must have those suitable for both 50-cycle outlets and 60-cycle outlets; we may supply whole machines, but we must also pay attention to supplying accessories and parts. Some foreign businessmen are of the opinion that, from the standpoint of distance and available technology, it would be most reasonable to produce the accessories and replacement parts for maintaining and repairing the products sold in Asia by certain technologically advanced countries of West Europe and North America. If we can take over this task, it would create no small amount of trade. Under the principle of expediting exports, our approach in this regard should be diverse and varied; processing imported materials, processing imported samples, joint production, and compensatory trade will all do.

We cannot just wait for customers; we must go out to do business. We should take advantage of foreign businessmen for the sale of our products, and we must also gradually establish our own commercial network. We must understand the continuously changing situation in the international market--we must understand both the market situation of the developing countries and the market situation of the technologically developed countries. Many countries with large exports of machine products are also countries with large imports of machine products; the amount of machine products imported by countries like the United States, Britain, France, and West Germany from one-fourth to one-fifth of the amount of their machine products exports. This is an extensive market; we should sell our machine products there.

In order to expand exports of our machine products, we must pay attention to developing key products or, namely, "quanton" [fist; 2164 7333] products which are highly competitive. Without such "quanton" products, it would be hard for us to gain a large amount of exports by putting out only lesser products and selling them in a less competitive way. At present, we are exporting our machine products to more than 100 countries and areas, but because of the lack of such "quanton" products, the amounts of trade concluded are not very great. We must select "quanton" products according to the demands of the international market and concentrate our manpower, material resources, and financial resources to get them produced.

9255

CSO: 4006

CHINA LAUNCHES STEEL EXPORTS

Hong Kong SOUTH CHINA MORNING POST in English 9 Jun 80 p 1

[Text]

China is sending its first shipment of high-quality steel to Southeast Asia this month, the Deputy Governor of Sichuan, Mr Hu Hsueh, told Business News last week.

The shipment worth \$25 million is on its way from the mining area of Baoshan in remote southern Sichuan through Kunming.

Mr Hu did not indicate the destination of the steel being exported.

It is, however, likely that Hongkong will be the trans-shipment centre.

The Baoshan mine has been in operation for several years and is located in an area popularly referred to as Jing-shajiang (Golden Sand River) industrial area.

The area is now growing so fast in mining activities that since the beginning of this year, it has been brought under the administration of Kungko Municipality, according to Mr Hu.

The quality of iron ore is relatively poor with about 30 per cent iron content but it is very rich in many non-ferrous metals such as niobium, vanadium, chromium and titanium.

The Baoshan is particularly known for its wealth of titanium — an essential element for producing alloys for aeroplanes and aerospace industries.

It has a high cash value of about US\$40,000 per ton.

Mr Hu said that the Baoshan plant, however, is still unable to separate the non-ferrous metals from the "heavily mixed mines."

Some ores have almost 26 per cent of titanium content, but they have to be shipped to other plants outside the area for processing.

There is a good opportunity for foreign companies which are interested in selling equipment or in joint ventures to separate valuable non-ferrous metals from the Baoshan ores as the province is given a greater autonomy in foreign trade.

Meanwhile, the Deputy Mayor of Chengdu, Miss Lin Longshun, disclosed that the mines of Chengdu produce 600,000 tons of crude steel a year but the city has a rolling mill with a capacity of more than 700,000 tons.

Hence the city has to import pig iron from elsewhere to meet the needs of the rolling mill.

Its need may well be met by Baoshan.

During a visit to several major mining areas in China last month, senior officials of the Ministry of Metallurgy revealed in Peking that the ministry has just set up an import and export corporation of its own to maximise the working facilities of all major mines in China.

BLUEPRINT FOR NEW SHUMCHUN

Hong Kong SOUTH CHINA MORNING POST in English 7 Jun 80 p 1

[Text]

The blueprint for the overall development of Shumchun has been submitted by a Hongkong group, the Association of Experts for Modernisation Ltd, to the Shumchun Authority.

The association was formed last year by a group of Hongkong professionals.

The recommendations are now under study by the Shumchun Authority.

Major recommendations include the setting up of an economic zone of seven sq km, improving the road-link between Hongkong/China border at Lok Ma Chau and building villa-type houses.

Sources close to the association told Business News that the Shumchun Authority has planned to set up an economic free zone in the middle of Shumchun Municipality.

A 100 per cent foreign investment will be accepted in this free zone.

Other investment terms will be known only after the Shumchun Authority has assessed results from the development in Sheahou which also has a free trade zone.

Sources also said that the Hongkong Government and the Shumchun Authority are ready to expand the road link at Lok Ma Chau, the border area which is accessible from Yuen Long.

Both Governments expect a rapid growth of traffic between Hongkong and China in the future.

According to the sources, while the Chinese side has no problem improving the road link at Lok Ma Chau by building a bridge, the Hongkong Government has to face such problems as setting up immigration and customs stations.

"However, the Hongkong Government has already made a plan to expand the existing single lane road," the sources added.

Improving the transportation network at Lok Ma Chau is vital as this can ease the traffic now being handled by Man Kam To and Lowu.

It will be particularly important when residential building projects are completed and sold to Hongkong residents.

"The need to develop Lok Ma Chau is there," but "it is not so urgent" as at Lowu and Man Kam To — the two points important for the movement of cargoes, foodstuffs and fuel from China to Hongkong.

The sources also disclosed that the Association of Experts for Modernisation Ltd has a huge villa-type housing project in Shumchun.

A total of 156 units, each two or three storeys with a garden and backyard will be built.

But in the initial stage, each member of the association will put up \$150,000 to build one unit. Fifty-eight units are to be built.

Members of the association may own these houses. Or, they can sell them and the profits thus generated will be re-invested for other housing projects in Shumchun.

There are also plans to build gardens, agriculture and resort centres.

The existing muddy road running through the Shumchun area and connecting Sheahou to Canton will be turned into a super-highway. This will be a wholly China financed project.

Regarding communications, two telephone exchange stations are planned to be built in Sinku and Nantau. The former is close to Lowu and the latter to Sheahou.

FOREIGN TRADE

TIANJIN FOREIGN TRADE CONTINUES TO INCREASE

Tianjin TIANJIN RIBAO in Chinese 13 Apr 80 p 1

[Report: "Working With the Zeal of 'Not Wasting a Single Day,' the Foreign Trade of This Municipality Continued To Expand in the First Quarter"]

[Text] In the first quarter of this year, the foreign trade of this municipality continued to expand. After the initial triumph achieved in January, exports and purchases in February and March again exhibited great increases, and the momentum of continued expansion shows no decline even today. Exports in the first quarter approached the level of the whole year of 1970; foreign trade purchases increased by 40.8 percent over those of the corresponding period last year, at a rate which is the highest in the whole country. Export fulfillment amounted to more than U.S. \$43 million in the first 10-day period of this month, which is better than that of the last 10-day period of March.

Since the beginning of this year, with the zeal of "not wasting a single day," employees and workers of the foreign trade system closely utilized their time to coordinate their fulfillment plans with the industrial departments early; this made it possible for the industrial departments to make arrangements for production ahead of time so as to be able to supply the goods for foreign trade and export on time. Import and export companies in the fields of foodstuffs, indigenous products, metals and mineral products, and the chemical industry rushed every item of work forward during the first quarter; their purchases increase by more than 50 percent over those of the corresponding period last year. Because the eight-character policy of [readjusting, restructuring, consolidating and improving] the whole national economy was carried out in industry, the light and textile industries of our municipality enjoyed a relatively faster development this year; conspicuous results in this regard are also observable from foreign trade purchases. Purchases of export commodities such as wool, silk, bicycles, farming tools, nails and wires, and tube products, etc, have all increased by 100 percent over those of the corresponding period last year. Because of the economic prosperity and the fine situation in the countryside, the margin of increase in purchases of agricultural and sideline, indigenous, and special products has also been great. Purchases of red and small beans are already approaching fulfillment of plans for the whole year; purchases of frozen chickens and

ducks increased by 100 percent over last year; purchases of canned pork increased by 4.5 times over last year.

As supplies of goods proved to be relatively abundant, the various specialized import and export companies adopted a rather flexible approach: Apart from sending more than 40 persons to join the 25 teams organized by company headquarters to go abroad so as to promote sales overseas, they also invited large numbers of foreign businessmen to Tianjin to negotiate trade transactions. Exports in the first season thus showed general increases over the corresponding period of last year, and the margins of increase of branch companies such as those of light industrial products, metals and mineral products, chemical industry, and machinery all exceeded 70 percent.

In the first quarter, our municipality's industrial and trade concerns jointly carried out the "four combinations and two open operations"; this is an important factor assuring continued expansion of our foreign trade this year. Undertakings such as the processing of imported materials and the assembling of imported parts have added a new development: production according to imported samples, in particular, has been accepted by many units of industrial production in our municipality. This has not only caused an upgrading of the industrial products of our municipality, but has also strengthened the adaptability of our export products in the international market. In the first quarter, products not included in the original plans increased by more than 60 kinds; at the import and export commodity negotiation sessions, new products again increase by more than 100 varieties. This will play an important role in the further expansion of our exports.

9255

CSO: 4006

RELAY FACTORY SPEEDS PRODUCTION OF EXPORT ITEMS

Tianjin TIANJIN RIBAO in Chinese 13 Apr 80 p 1

[Export by Cai Yewen [5591 5509 2429]: "In Response to International Market Needs, Relay Factory Improves Management: Designing and Test-Manufacturing of Export Products Are Quickly Put Into Production"]

[Text] On the basis of the characteristics of the international market, the Relay Factory of this municipality has continued to improve its management to achieve fast designing, fast test-manufacturing, and fast activation of production. Its total exports last year reached 2.25 million yuan, earning of more than 500,000 yuan in foreign exchange--twice the 1978 figure. Tasks fulfilled in the first quarter of this year increased by 80 percent over those of the corresponding period last year.

In response to international market characteristics such as urgent demand for goods ordered, renewal and replacement of old products, and demand for high quality, the Relay Factory has carried out reforms in the organization and management of the production of its export products this year. First of all, in the matter of design and in the case of technically uncomplicated products, an approach was adopted to concentrate specialized personnel and organize them for teamwork, and to assign tasks to pertinent workshops as their exclusive responsibilities; this way, it was possible to see simultaneous progress in designing, in the approving of designs, in the construction of sample machines, and in the making of special molds, so that both conformity to technical requirements and a saving of time could be achieved. Last year, they produced a new type of switch for export. If they had followed existing procedures, it would have taken 8 months from design to production; by adopting the above approach, they spent only 2 months.

When putting out export products in the past, this factory used to try to store enough products by starting production ahead of time so that they could "always be prepared." As a result, large-scale stockpiling often occurred because of changes in international market needs; the situation thus became one of being prepared only for trouble--the more products stored, the greater the trouble. This year, they broke the habit and changed to either not storing any or storing fewer products--not starting production ahead of time, but activating production quickly after order

were received. Consequently, in the case of the four export products produced by the factory, a new production line was established according to different technical requirements and through renovation, transformation, and tapping of existing potential; accessories and parts were subjected to as much standardization as possible. At present, such standardized parts for the factory's export products and products for domestic sales already amount to more than 90 percent. This production line meets the needs of the production of export products at present; when export undertakings fall short or stop, part of its equipment may also be used for the production of ordinary products.

9255

CSO: 4006

FOREIGN TRADE

INDUSTRY COORDINATION HELPS IMPROVE RUG QUALITY, EXPORTS

Tianjin TIANJIN RIBAO in Chinese 17 Apr 80 p 1

[Report by Han Deron (7281 1795 2837): "Rug Exports in First Season This Year Increase by 28 Percent Over Those of Corresponding Period Last Year"]

[Text] The Rug Import and Export Branch Company and Rug Industry Company of Tianjin closely cooperated with each other to carry out the "Four Combinations and Two Open Operations," and succeeded in promoting the production and export of the traditional "Wind Boat" rugs of our city. In the first quarter of this year, our rug export increased by more than 28 percent over that of the corresponding period last year. In terms of the quality of the products, they gloriously earned the gold medal issued by the state last year, as they were given the first three prizes at the National Conference for Rug Quality Appraisal.

In September last year, the municipal Rug Import and Export Branch Company and Rug Industry Company established a system of having an industry-trade combined operation conference convene a meeting each month; these conferences are attended by managers and responsible persons related to planning, production, and professional techniques on both sides. At each meeting, the foreign trade company would give a briefing on the situation in the product's foreign sales market and the opinions and demands of customers, and the industry company would give a briefing on how the task of producing export products was carried out; the two sides therefore jointly studied and solved some concrete problems in the course of production and foreign sales. This made possible timely communications between the production and sales representatives and enabled relevant problems to be solved satisfactorily, so that both sides were pleased. Besides, the foreign trade company also invited the industry department to participate in the negotiations with foreign businessmen so that they would understand the situation in the international market; it also provided a list of export prices to the industry company so that the latter would have a timely understanding of the foreign sales situation. The municipal Rug Industry Company also took the initiative to make its cost known to the foreign trade company, so that industry and trade could rationally discuss and determine the purchasing prices. Recently, the Rug Industry Company also took the initiative in providing relevant data on production arrangements and the various processing points to the foreign trade

company, so that the foreign trade people could further understand the inner workings of industrial production.

Developing production and expanding exports are the common responsibilities of the industry and the trade. The foreign trade company therefore also lists problems in industrial production on its own important agendas. Last year, in order to solve the problem of raw materials shortage in the industry's expanded production program, they proceeded on the one hand to organize sources of wool not included in the original plans and, on the other hand, to organize wool yarn imports; they actively applied for foreign exchange loans on behalf of the industry in order to import spinning equipment, and this resulted in an improvement of the industry's spinning capability; they also supported the industry with 300 tons of steel material, thereby solving the problem of a lack of such material for the crossbeams of the rug-weaving machines; this enabled the industry to have its production equipment parts fitted together as required.

The Rug Industry Company, for its part, also considers problems in foreign trade and export as its own problems and thereby seeks close cooperation for their study and solution. For instance, in order to maintain the reputation of the state by fulfilling contracts within the required time limits, the industry company and the plants under its jurisdiction will each month invite the foreign trade business personnel to participate in the industry company's arrangement-dispatch meeting so that, together, they can, in accordance with the trade agreements concluded and with the export shipping departure dates, make joint production arrangements and closely connect production with agreements on export and loading dates for the ships in proper dequence. In case of special situations, when goods must be delivered ahead of time or products must be returned for repair, the industry department will also do all it can in the way of support and coordination.

Continually improving the quality of products and increasing the variations and kinds of products constitute an important link in the expansion of exports. The foreign trade company and the industry company coordinated with each other very well in this aspect also. The foreign trade company not only regularly imported the samples and sample designs of certain advanced foreign products for the industry department to study as a reference, but also dispatched personnel from the plants to go down to visit the workshops to hold on-the-spot meetings, so as to help the plants formulate their quality control and maintenance system and thereby continue improving the quality of their products. Leading cadres and responsible persons of technical departments of the industry company also regularly went down to the plants to conduct inspections; they would convene a quality appraisal meeting each month, and invited the foreign trade company to send participants. Because industry and trade coordinated very well with each other, the flawless portion of our city's rug export products amounted to more than 98 percent.

FOREIGN TRADE

BRIEFS

GUANGXI MUNICIPALITY ECONOMIC WORK--The people in Wuzhou Municipality are making full use of the sea lanes to communicate directly with Hong Kong and Macao to develop the local light, chemical and handicraft industries and process goods with material supplied by the customers. From January to mid-May 1980, contracts on 29 items including the processing of goods with material supplied by the customers, packaging paper, radio parts, garments and furniture have been signed with businessmen from Hong Kong and Macao. The total cost is U.S.\$1.2 million. This was 5.2 times higher than the total sum for the whole of 1979. The municipality is only 506 kilometers from Hong Kong and it takes about 20 hours to reach Hong Kong by sea. In the past, some Hong Kong businessmen did not have a clear idea about the processing skills, product quality and level of technology in Wuzhou. Since 1979, the municipality has taken the lead to discuss the production situation in the municipality with foreign businessmen. In the past, the cargo vessels in Wuzhou were usually full when they sailed to Hong Kong, Macao but returned back empty. In 1979, the quantity of cargoes shipped from Hong Kong and Macao increased by 48 percent over 1978. From January to April 1980, the quantity increased by 25 percent over the corresponding period of 1979. [HK310632 Nanning Guangxi Regional Service in Mandarin 1130 GMT 29 May 80]

FUJIAN FOREIGN ECONOMIC CONFERENCE--The Fujian conference, which ended in Fuzhou on 5 June, on foreign economic work, decided to provide technological services to foreign countries. The participants summed up foreign economic work over the past 2 years in Fujian. They revealed that they had done well in economic and foreign aid work and scored very great achievements. In the future, the people in Fujian can also run rice farms, sugarcane farms, tea plantations, orchards, sugar refineries, paper plants, hydroelectric power stations, thermal electricity stations, reservoirs, cement plants, bricks and tiles plants, residential housing, physical culture stadiums, geological survey and economic and technological cooperations with foreign countries. Also present at the conference and giving speeches were Cheng Fei, vice minister of economic relations with foreign countries, and Bi Jichang, vice provincial governor. [Fuzhou Fujian Provincial Service in Mandarin 1035 GMT 6 Jun 80 HK]

FUJIAN PORT CONSTRUCTION--Construction of the first stage of the Xiamen port is being stepped up. The 777-meter pier was approved by the State Council. When completed, the first stage of the Xiamen port will be able to handle 2.09 million tons of cargo a year. The pier will also have an open air space of 41,000 square meters for storing cargo, and a warehouse of 26,000 square meters. Construction of the pier is expected to be completed in 1982, having begun in March 1976. [Fuzhou Fujian Provincial Service in Mandarin 1035 GMT 8 Jun 80 HK]

JIANGSU SHIPPING COMPANY--With the approval by the Communications Ministry and the Jiangsu Provincial People's Government, the China Ocean Shipping Company and Jiangsu Provincial Communications Bureau have recently formed the Jiangsu Province Company of the China Ocean Shipping Company. At present the Jiangsu company will handle the transport of local products for export to Hong Kong and other places, a task which was carried out by the China Ocean Shipping Company itself in the past. In the future, the Jiangsu company plans to open additional shipping lines to Japan and Southeast Asia when necessary. [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 10 Jun 80 OW]

SHANGHAI CONTAINER WHARF--Preparations for the construction of Shanghai's first modernized container wharf are underway. The first batch of test piles were driven on 16 June. The wharf will be located in the No 9 zone of Shanghai harbor. It will occupy an area of 340,000 square meters and its major equipment will consist of advanced products made in China and abroad. It will be linked by a special railway and road and equipped with a fairly complete set of auxiliary installations. A year after its completion, the wharf is expected to annually handle 200,000 containers, equivalent to 2 million tons of cargo. [Shanghai City Service in Mandarin 1130 GMT 16 Jun 80 OW]

NEW GUANGZHOU FREIGHTER--The Guangzhou ocean-going company recently imported a 14,000-ton multipurpose roll-on roll-off freighter. Vehicles can directly drive in or out of the ship. The freighter is also equipped with cranes, navigational instruments with the aid of satellites and other automatic equipment. [Guangzhou City Service in Cantonese 0430 GMT 2 Jun 80 HK]

JILIN EXPORTS PLASTIC PRODUCTS--Jilin Provincial foreign trade department is helping small plants in Chanchun, Liaoyuan, Siping and Yanji municipalities to export plastic products according to patterns supplied in foreign consumers. Total industrial output value of export plastic products has reached 4.2 million yuan since this year. [SK180923 Changchun Jilin Provincial Service in Mandarin 1100 GMT 16 Jun 80]

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TRANSPORTATION

BRIEFS

XINJIANG RIVER BRIDGE--Urumqi, 12 Jun--Construction of the longest reinforced concrete highway bridge in northwest China was started across the Tarim River in the Xinjiang Uygur Autonomous Region. The 1,600-meter-long, 80-arched bridge will carry a two-lane road with sidewalks on both sides. The Tarim River is the longest inland river in China with a total length of more than 2,100 kilometers. It runs through a large area of fertile land on which nine big state farms have already been opened. There are now only ferry boats to carry the people living on both sides of the river, which is usually called "an unbridled horse." [Text] [Beijing XINHUA in English 0718 GMT 12 Jun 80 OW]

HIGH BRIDGE OPENED IN HUBEI--Beijing, 8 Jun (XINHUA)--China's second biggest highway bridge, which crosses the Hanjiang River at the town of Laohekou in Hubei Province, central China, has been opened to regular traffic. The 2,000-metre-long prestressed concrete structure took two years to build and replaces a ferry that has been in service for centuries. The bridge connects with the main arteries to the provinces of Henan, Shaanxi and Sichuan. The biggest highway bridge in China is the Yellow River bridge at Luoyang in Henan Province, central China. [Text] [OW080802 Beijing XINHUA in English 0746 GMT 8 Jun 80]

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